

# The Management Review

**AUGUST, 1951**

**THE MONTH'S  
BEST IN  
BUSINESS  
READING . . .**

Personnel  
Production  
Office Management  
Marketing  
Finance  
Insurance  
Packaging  
General Management  
Books of The Month

## **Among the Features**

**Management's Role In Good Government**  
**A New Field for Private Initiative**  
**Have You a Modern Office?**  
**Office Workers' Salaries**  
**How to Be a Good Personnel Administrator**  
**Tripartite Boards or Single Arbitrators?**  
**Waste Prevention: Case Study from Britain**  
**Establishing an Eye Safety Program**  
**When Is Competition Competition?**  
**The Service Emphasis In Modern Selling**  
**The Executive "Take-Home" Pay Problem**  
**Minimizing Effects of the Excess-Profits Tax**  
**Annual Review of Coverage Advocated**  
**Insuring Against "Medical Catastrophe"**

**AMERICAN MANAGEMENT ASSOCIATION**

# **A Close-Up on Your Key Personnel Problems . . . . .**

## **AMA AUTUMN PERSONNEL CONFERENCE**

**WALDORF-ASTORIA, NEW YORK**

**SEPTEMBER 24-26, 1951**

**U**NCERTAINTIES in the world situation and the economic outlook make it impossible for the personnel executive to predict with accuracy just what new problems will be coming across his desk a few months from now. But personnel and industrial relations managers contacted in nationwide AMA surveys agree that there are several key areas of the personnel job ahead that demand close attention now because they are certain to prove critical in the months ahead.

*The AMA Autumn Personnel Conference will spotlight these problems:*

**WAGE AND SALARY STABILIZATION**

**EMERGING ISSUES IN COLLECTIVE  
BARGAINING**

**EXECUTIVE DEVELOPMENT**

**FOREMAN TRAINING**

**EMPLOYEE JOB TRAINING**

**RETIREMENT PROGRAMMING**

**ORGANIZATION PLANNING AND  
CONTROL**

### **• "Close-Up Sessions" •**

To enable members to obtain specific information on their individual problems, special "close-up" sessions have been scheduled to follow the regular conference discussions on wage stabilization, employee training and executive development. At these sessions, members may meet in small groups with key officials from government and industry to pick up where the conference discussions left off and get authoritative answers to their own particular problems. Thus members may devote an entire day to a subject which is of particular interest to them or divide their time among the various discussion groups.

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## **AMERICAN MANAGEMENT ASSOCIATION**

**330 West 42nd Street**

**New York 18, N. Y.**

**M. J. DOONER, Editor; VIVIANNE MARQUIS, Associate Editor**

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## General Management

### MANAGEMENT'S ROLE IN GOOD GOVERNMENT

**T**HE GREAT PROBLEMS of our time are essentially political ones. Politics today determine what shall be produced and who shall produce it; what shall be consumed and who shall consume it; what we shall eat and wear, and finally—on the great issue of war or peace—whether we shall live or die.

Most business men would agree with this simple truth. Why, then, do they withhold their talents from politics? What is it that makes these men, who are so conscious of their responsibility in their own jobs, think that they can shrug off their political obligations? Many of them do not even vote. And as for any more active participation, the response of the great majority is "That's not my game; that's for the politician."

Political influence is influence with people. There is not a single business man who does not have influence with many people—many more than he thinks. If the great body of American business men would take an active interest in politics—starting right in their own communities and their own states—they could be one of the greatest and most constructive forces in the country today. They would bring to politics the factual approach that has become a matter of habit with them in their business life. They would not be likely to become submerged in factionalism. Their main interest in politics would be to develop practical facts necessary to secure clean and reasonably efficient and economical government. They would endeavor to get into office the kind of men who had the inclination and

the ability to produce government of that kind.

The people are confused because our leadership on both sides seems incapable of establishing an understandable and constructive policy for our country. It seems to me that the growing lack of confidence in our present political leadership is the reason why so many Americans fail to vote, even in national elections. This reaction is understandable but it is negative and it establishes conditions that are most favorable for control by small-bore, professional politicians. What is most needed is a greatly expanded interest and active participation in politics—not a retreat from politics.

All over the world, there is a glaring disparity between the aspirations of peoples and the actions and policies of their political leadership. The one thing most wanted by people everywhere is genuine and lasting peace. And the only way this country can cope with the world situation as it is today is with political leadership that is equal to that situation. We will get political leadership of that standard only through alert and determined political action by the people of this country. Business men have a particular responsibility to help bring this about. The capacity for leadership they have demonstrated in building and producing imposes on them the obligation to take the lead in preserving the fundamental conditions that have made it possible to build and produce in the way they have. In Russia and some other countries industrial management can do a pretty

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fair technical job. But that is all it can do and it must function strictly within the limits laid down by political leadership. The American business man does not have to operate under such limits—not yet. On the contrary, he can help establish the limits of political leadership. If he fails to exercise this American birthright, is he not placing on himself voluntarily the limitations which his European counterpart must accept under compulsion? Isn't he inviting the extension of government power?

Now, there are a number of things that every business man can do.

He can vote.

He can persuade his family and friends to vote.

He can find out who is really electing his community officials and his congressmen—the better elements or the gamblers, racketeers, and professional politicians. If he finds that it is the latter, he can join an organization formed to change the condition, and if none exists he can take the lead in forming one.

He can keep abreast of important national issues, make up his own mind on them, be outspoken, and help form the public opinion that usually determines what is done about them.

He can follow the actions of his representatives and senators—let them know when he disapproves of what they are doing and—just as important—let them know once in awhile when he approves their actions.

He can refrain from seeking for his own business aid from government which increases both the cost and the power of government.

He can influence his community organizations which support the idea of governmental economy in general to support it in particular when it comes to federal spending in that community.

Any business man who will do these

things will be at least 10 times as active as the present average. If the general run of business men did them, they would become a potent and a constructive influence. I want to say that I am not asking you to do anything that I do not do myself. I have taken a long and very active interest in political matters and make no bones about it. I intend to keep on doing so. I have never thought that my position in the business world cancelled either my rights or my obligations as an American citizen.

So long as his motives are right, the public not only accepts but welcomes the business leader in the political field. The closer he is to the people and the better they know him, the more true this is. For example: Weirton, West Virginia, the home of Weirton Steel Company, became a city just four years ago. It has a population of over 25,000. At the urging of many citizens, T. E. Millsop, the president of Weirton Steel Company, decided to be a candidate for Mayor. Some of his friends told him he was putting himself out on a limb. They thought it unwise and perhaps dangerous for the head of the largest company in the district to run for political office. Well, the people of Weirton did not think so. They elected him by a five to one majority. The city has since been operated on what is probably the most business-like basis of any municipality in the country. Just a few weeks ago, the primary was held in the second municipal election. Mr. Millsop was again a candidate and he received more than 87 per cent of the total votes cast. The people of Weirton know that he has only one interest in the job and that is to give Weirton the cleanest, most economical government possible. And that is the kind of leadership the people want. The fact that he is the community's biggest business man has proved no handicap at the polls.

As business leaders, we have all been exhorted from time to time to take a greater interest in political activity. Never has that admonition been so serious as in these critical days when there is so much at stake. We can have good government only through good politics. And only

through good government can we hope for peace in the world. Of course, political activity takes time, takes thought, takes effort. But each of us must ask himself seriously: Do I not owe this obligation to myself, my family, my community, and my country?

—From an address by ERNEST T. WEIR before the 1951 Annual Convention of the National Association of Purchasing Agents.

### **Every Man a Capitalist**

LAST MONTH the phrase "every worker a capitalist" took on added meaning for some 43,000 employees of Socony-Vacuum Oil Co. with the inauguration of its unique employee savings program. The worker can now allot up to 5 per cent of his pay—the company contributing half of whatever he allots—for purchase of Socony-Vacuum stock (recent price 30), government bonds, or investment company shares of his own choice. Further, Socony will practically underwrite any loss to the employee.

The company's contribution will come out of accumulated earnings and profits (1940 net: \$128 million). If the success of Sun Oil's stock purchase program is any indication, Socony should add many an employee to its present 158,327 stockholder list (total shares outstanding: 32,332,015).

In Philadelphia, Sun just celebrated the 25th anniversary of its stock purchase plan, with more than 6,300 employees receiving 85,900 shares of common (recent price: 70). For each \$2 saved by the worker, the company contributed an additional \$1. So far, a total of 632,000 shares of Sun common, out of a total of 6,038,643 outstanding, has been acquired by workers. More than half the company's 13,095 stockholders are employees, and four out of 10 workers are stockholders in this \$329 million corporation.

Furthering stock ownership by workers on a more modest scale is the Automotive Screw Machine Products Co. of Chicago. Its workers have been showered with bonuses in the form of stocks in various American companies.

Even top brass is getting into the stock ownership act—on a more expensive scale—via common stock option incentive plans restricted to key executives and employees. Of late, 83 companies have devised such plans, ranging from 85 per cent to 101 per cent of the market price.

—Forbes 8/1/51

### **Prime Minister's Secret**

ONE REASON many of the petty problems that frighten small men do not floor big men is that they are so busy they cannot attend to them. As a result, somehow they attend to themselves.

There is a certain momentum to life that carries such men forward, easing them over the minor bumps, cushioning them from jolts that would upset less bold and busy spirits.

This is the secret of prime ministers and presidents. And it is the hope of men who aspire to the top jobs in commerce and industry, as well as in politics. Not that details can be ignored; but they need not be worried about as much as small minds are wont to do.

—Management Briefs (Rogers, Slade & Hill) No. 43

## A NEW FIELD FOR PRIVATE INITIATIVE

**A**ERICAN BUSINESS is in a situation precisely analogous to that of a henpecked husband. American business is henpecked—there is no doubt about that. It is henpecked by a lot of people who don't really understand business. These people are continually criticizing business for things that business does that they do not approve of—or things that business fails to do that they think it ought to do.

In the face of all this, business has developed a theory. The theory is that there is a failure in communication. A better "public relations" job is needed—more and better ads about private enterprise are needed, more and better words, to "sell" the critics on business' point of view. In short, too many of the leaders of business still have the idea that they can talk their way out of the situation. Few—very few—have undertaken to solve the problem of business acceptance through action.

What we need is the affirmation of a new principle: the principle of private initiative in social matters.

Let me clarify my point by citing an incident that took place recently in Philadelphia. On the north side of that city there is a frightful slum, which I remember from my childhood. Neither political party has ever done anything about that slum. Recently, however, a group of wealthy Quakers got together and decided to do something. They worked out a very thorough plan. First they put up a large revolving fund. Then they went to the schools of the district and persuaded the principals to give special courses in manual training. Then they went to the labor unions and got an agreement that, if a housing project were undertaken in that district, the unions would permit a certain portion of the labor to be performed by the people living in it and by

their children who were being trained in the schools.

Think of it! Here was a real self-help social project, involving the participation—and note that word well—of all concerned, and financed by private capital. No government money! No added taxes! The people themselves were to help tear down their old houses and help build their new houses. The idea was to proceed with this block by block. While one block was being torn down and rebuilt, the people in it would be housed temporarily elsewhere. Those very people would do the tearing down and rebuilding. Then they would be given a chance to buy the new apartment on very easy terms. The initiators of the project, in fact, figure that with a long period of amortization these people can buy these low-cost houses, which they themselves helped to build, for a monthly payment only a little more than their present rent.

Why wouldn't it be possible for groups of businesses in other cities to get together and do just what those Quakers propose to do? The revolving fund, of course, would have to be substantial, but eventually it would be paid back—and even if it were not, would it be entirely wasted? Thousands of persons would find new housing, and might even have the added excitement of helping to build their own homes, because a group of local business firms took the initiative with regard to a grievous social problem.

Now, which would be the more effective from a public relations standpoint—a million dollars worth of words about the enterprise system, or a million dollars subscribed by your corporation to that revolving fund for the benefit of the community? My vote goes for the action!

But let me be clear. The action would not be of much value without words.

Words—clear, precise, honest words—would be necessary to explain why the local businesses undertook such a project. Words would be needed to explain and develop this new principle that I am trying by this example to illustrate—the principle of private initiative in social matters.

But what we need is action. Words alone are not enough. Words must be used to accent, reinforce, and explain the action that we take.

The key concept of this action—and here is the secret—is participation. When we have a social problem to solve, we must learn to solve it in participation with all those who are concerned. Everyone must contribute his or her share, no matter on what side of the tracks he or she may live. Some can contribute brains, some muscle, some money. If we are to have a vital social organism, these must all be harnessed together into a living whole, a living community, working on a mutual basis for the achievement of the good life.

And that would be public relations. That would be public relations in the

American manner, conducted on behalf of free men in all walks of life.

Let us not forget this: *Corporate industry will be healthy in the times that are to come, only insofar as it can make its proper contributions to the social well-being of the community.* The old adage that "business is business" belongs to another age. Business must operate at a profit; but this profit must not mean a social loss to everyone else. Business profit must be part and parcel of social profit—community profit, not in dollars but in human well-being.

But we must be serious enough to take action. We must be serious enough to take some personal and corporate risks. We must be serious enough to stick our necks out, to be called names—yes, even to be called an "idealist." I know of no political system more idealistic in its concepts than the American system. Yet I know of no system more practical. And certainly, I know of no system more successful. I say to you, go forth and let it be your guide. The whole world is waiting for you to act.

—RUSSELL W. DAVENPORT. *Public Relations Journal*, July-August, 1951, p. 3:5.

### Collecting Responsibilities

WE HEARD recently of a man who collects etchings. He lives in an apartment of modest size, and early in his experience as a collector he arrived at the end of his wall space. He found that he could hang just 15 etchings, if they were to be displayed to advantage. This irked him, for he did not want to stop collecting. But neither did he want to accumulate etchings that he could not see and enjoy. One day the solution came to him. He would limit himself to 15 etchings—but keep bettering his collection. From then on, when he bought a new etching he disposed of one of the others—sometimes selling one for more than he had paid.

This principle might be adopted with profit by business men in "collecting" outside responsibilities, such as the leadership of organizations, committee chairmanships, directorships, and the like. It behooves all of us to carry our share of the responsibilities of life and business; but there is a limit to what a man can take on and discharge with credit. When he finds himself carrying all he feels he can manage efficiently, and with justice to himself and his family, he might wisely invoke the etching collector's philosophy of not taking on any new responsibility without dropping one. Thus he can keep his life fresh and useful without overburdening himself.

—*The Clarkson Letter* (Clarkson College of Technology) 7/51

## GETTING A GOOD PRESS FROM BAD NEWS

**N**OT MANY executives really expect their plant to blow up or catch fire—ever. Yet all foresighted management men have drawn up plans for emergencies, to minimize damage and loss of life and to expedite recovery. Such plans should recognize the importance of proper public relations. Many an innocent firm has suffered undeserved ill will solely because of inept PR.

Two fundamentals should be borne in mind: Disasters can take many forms; and they don't announce themselves in advance.

It follows that "disaster PR" must be a continuous program of frank and diligent good will toward the press, community, and employees—in addition to constant attention to preventive measures.

Each emergency must be handled differently, of course, but leading public-relations experts agree on this simple advice: Be frank; throw your doors open to reporters, help them get the facts.

Take, for example, the experience of Minnesota Mining & Manufacturing Co., St. Paul, Minn.

One morning in February of this year, a tremendous blast gutted the six-story Minerals Building, smashed windows in a wide arc, and invalidated all normal communications systems.

Later, when a tally could be made, 14 persons lay dead, 51 were injured, and property damage ran over \$1 million.

But management reacted—quickly and decisively. Rescue work got under way with amazing efficiency. So did the public-relations machinery.

With the aid of a portable loudspeaker, the 4,000 employees were evacuated within eight minutes—and no one became panic-stricken. Search for the dead and injured followed; and a fleet of make-shift ambulances was put into action.

Management called on radio stations to summon help from hospitals, firemen, and police. Headquarters for the emergency were set up within 15 minutes.

The company quickly began the job of humane notification of bereaved relatives. Here, an important decision was made: No names of victims were to be released to newspapermen until after notification of the next of kin. This was the one and only instance during the entire emergency that the press was deprived of immediate answers.

Nothing was overlooked. Management even procured baby-sitters so that relatives of injured workers could rush to their side.

Interviews with survivors were tape-recorded so that they would be available for tardy pressmen. Typewriters were provided. Photographers and reporters could go anywhere except in dangerous areas.

Management arranged for emergency telephone exchanges. Executives were assigned to 24-hour duty with families of the bereft, to make funeral arrangements, to provide emergency financing, and to contact distant relatives. A pay booth was set up, since pay day fell on the next day. Death benefits were paid within 24 hours.

The motivation for all this was humanitarian, and no more than could be expected from most responsible companies in a similar situation. But the speed, the thoroughness, and the efficiency with which the company performed its job resulted in an extraordinary feeling of good will from the public at large.

Less terrible emergencies can create problems, too. The president of a small Baltimore firm watched his plant burn to the ground last summer.

No one was injured; but the event was widely reported in the press.

Another building, a few blocks away, was taken over, and production was resumed in a few weeks. But the president was chagrined to find that many orders were being canceled by customers who thought the plant was incapable of filling them.

The solution: A letter from him to each of the publications that had reported the fire, requesting each editor to publicize the fact that the company was again operating. It was a frank, slightly humorous letter—and all of the editors honored his request.

An aircraft plant in a Southern California valley had a terrific noise problem. Near-by residents complained vociferously, but company officials were in a quandary. They recognized that the noise

was harmful to good community relations, but there was no known method of significantly diminishing the racket—other than actually closing down the plant.

A direct appeal to the public, via full-page newspaper ads, explained what measures were being taken and would soon be taken to diminish the noise slightly, but no promises were made to end it entirely. Instead, the company simply pointed out that many of the planes being made would soon be shipped to Korea. The complaints—if not the noise—faded away.

Other magnificent jobs have been done in this field by a variety of companies. But all of them will agree that PR "disaster insurance" depends largely on an effective, day-to-day policy of intelligent good will.

—*Modern Industry*, July 15, 1951, p. 64:4.

### What Is Management?

MANAGEMENT is as old as the hills. There is nothing complicated about it at all. It is a natural function of human society.

A man and a woman marry, set up housekeeping, and raise a family. Both are managers. They manage as they buy a home, educate the children, plant a garden, pick out a car, a refrigerator, a piano. A hundred decisions a day around the house are management decisions.

Management occurs at all levels in government, charity, education, lodge. It is the plumber with his helper, the elevator starter, the superintendent of schools, the master of the grange.

But, in America, management probably has had its most scientific application in business.

Business management, even before World War I, helped build up a volume of production surpassing that of any other nation. In World War II, the results were even more spectacular. *America outproduced all other countries combined.*

By 1941, the value of an hour of work in terms of the staple necessities of life, bread and butter, had so been raised that an American could buy from 2 to 8 times as much as a man in Europe. This didn't just happen.

Neither the men and women in industry nor the money in industry can be effective without good management. Nothing else is so important to the workers' welfare, the investors' welfare or the public welfare.

—From a house advertisement of N. W. Ayer & Sons, Inc.

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IN 1947, when output of consumer goods in this country was extremely high, says a Twentieth Century Fund study, an even distribution of these goods among the 60 million wage earners would have given each one \$2,750 worth.

## TOWARD EQUALITY IN INCOMES

**"THE RICH GET RICHER, the poor get poorer"** was the theme of an old song popular in the early depression years. Actually the very reverse has been true ever since 1929. In fact, since that year the United States has traveled a considerable distance toward absolute equality of income.

This trend was disclosed by Dr. Arthur F. Burns, Director of Research of the National Bureau of Economic Research, in his annual report on his staff's investigations.

In 1929 the highest 5 per cent of income recipients obtained 34 per cent of the total of personal incomes, inclusive of any capital gains but after deduction of income tax payments. Ten years later, in 1939, their share dropped to 27 per cent. By 1946 it had dropped to 18 per cent, and since that time the relationships appear not to have changed materially.

More striking, according to figures developed by Professor Simon Kuznets of the Bureau's research group, was the change in the top 1 per cent of income receivers. In 1929 their share in total income was 19.1 per cent. By 1946 it had dropped to 7.7 per cent, a decline of 11.4 points out of a possible drop of 18.1 points.

In the 17 years between 1929 and 1946, the average per capita income of the whole nation (after federal income taxes) rose

from \$690 to \$1,166. In contrast, the top 1 per cent group, which had an average per capita income (after income taxes) of \$13,168 in 1929, had per capita income of \$8,994 in 1946.

During this period, furthermore, there was a tremendous increase in the production of goods for the higher general level of incomes to buy. Productive capacity of physical goods is about double that of 1929. Even agricultural production has increased by 40 per cent. Dr. Burns reported that physical volume of personal production has increased 75 per cent, while the population had been growing by only 25 per cent, or three times as fast.

"If we are to look forward constructively to a material reduction of income inequalities in the future," said Dr. Burns, "we must seek to attain it principally by raising the productivity of those at the bottom of the income scale rather than by transferring income from the rich to the poor . . . there can be no doubt that as high incomes are cut, a point must come when private investors have neither the will nor the power to launch major innovations."

The paramount source of the rising living standards of workers and farmers has always been the increasing volume of production, and this is likely to be the only source in the years ahead, Dr. Burns asserted.

—*Industry Tomorrow* (Morris and Van Wormer), June 15, 1951, p. 2:2.

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**DESK-SIDE TELEGRAM SERVICE:** Telegraph and cable service can be within arm's reach of any executive without cost. A miniature facsimile machine provides push-button "picture" transmission of messages to and from the local telegraph office where it is flashed to destination over Western Union's new automatic high-speed network without manual transmission at any point.

—*The Advertiser's Digest* 5/51

## GROWTH INDUSTRIES OF THE '50's

**T**HOUGH MOBILIZATION is forcing the U. S. economy to grow, and grow fast, rearmament is not the only reason we are growing. In a study made before the Korean War broke out, it was estimated that total national output would increase about 20 per cent if a normal economy prevailed for the decade of the '50's.

What rearmament has done is to accelerate the pace of growth and concentrate expansion, for the present, in lines which support our defense effort. For example, in the next few years, mobilization will bring a rapid expansion of the basic industries supplying raw materials. When the emergency is over, our steel industry will have a capacity of 15 per cent or more than it has today. Aluminum production may be up 50 per cent or more. Chemicals, many of them, may have doubled their volume.

But when the emergency ends, industry will have a three-way job to do. It will want, first, to keep its plants going to maintain something like full employment. It will rush to convert to meet the new wave of consumer demand—as it did in 1946. And it will want to replace and expand the equipment run down during the mobilization period and to adapt products and processes developed during the emergency to peacetime uses. This will increase the growth potentials of some key industries:

*Chemicals* seem to grow perpetually. Their production trend shoots upward as new discoveries broaden the range of chemical products. Over-all chemical production may, therefore, well gain 75 per cent to 100 per cent over the next 10 years.

*Metalworking.* The possibility that the auto industry will continue to operate some assembly lines, at least through part of the mobilization period, rules out any

precise estimates of future markets. But the steady rise in American living standards and in auto use makes it likely that the industry will be operating in 1960 at something closer to its 1950 level—8 million cars and trucks—than to 1940, when 4.5 million were produced.

*Electrical machinery* production will expand rapidly. The utility industry expects its capacity to perhaps double in the next 10 years. This will throw a huge and sustained demand on the electrical manufacturing industry—for generating and transmission apparatus, as well as motors and other devices for industry and the home.

*Office machinery* that does everything, from solving simultaneous equations to registering bank transactions in a half-dozen currencies, will replace armies of pencil pushers as the 1950's go on. In the next 10 or 15 years, annual sales of office machinery may well double and could conceivably triple.

*Industrial machinery.* Rising labor costs stimulate investment in all kinds of capital equipment—and there are vast opportunities for replacing old machines with new, more efficient ones. Some 43 per cent of our machine tools are at least 10 years old, according to a recent inventory. And new machine tools are at least 40 per cent more productive than those designed before World War II.

In consumer lines, growth potentials are hard to measure since they depend so much on customers' fancies and on the strength of merchandising efforts. But generalizations can be made about some of the important fields:

*Food consumption* is slowly rising, as farm production increases and nutritional standards become higher from year to year. At the present rate of population

growth, and allowing for a 5 per cent potential increase in per capita consumption, total demand for food may be up 15 per cent by 1960, with the strongest growth trend in highly processed foods.

The textile industry is making a revolutionary shift to synthetic fibres to replace costly wool and cotton. The next 10 years will see tremendous progress in the use of the synthetics.

Home furnishings will enjoy a much greater market in the '50's than ever before. The recent housing boom has greatly increased the number of homes which are still in the "fixing up" stage. These new

households can absorb a record volume of new furniture and appliances whenever such furnishings become freely available. Also, as incomes increase, people are likely to want a greater variety of home conveniences.

To summarize, these attempts to measure the possibilities for business growth indicate that mobilization will speed up expansion in some lines—notably steel and other basic materials. It will slow growth for the time being in other fields, particularly in consumer products and services. But—as the industry-by-industry outlook shows—the potentials for growth through the economy are still large.

—*Industrial Distribution*, May, 1951, p. 76:6.

### **The Business Population: Its Ownership and Organization**

THE PRESENT IMPORTANCE of corporations in the functioning of the economy is well established. Corporations now contribute nearly three-fourths of the total national income originating within the private sector of the economy, excluding agriculture and professional services. In terms of the number of businesses, however, this situation is reversed; two out of every three are individually owned, almost one-fifth are partnerships, and only one-tenth of all firms are corporations.

This striking difference between the major share of corporations in national income and the comparatively moderate proportion which they constitute of the number of firms in operation can be illustrated by the fact that even in retail trade, where unincorporated businesses outnumber corporations more than 15 to 1, the corporate share of national income is more than 40 per cent.

The larger the size of the company, the more likelihood there is that it is a corporation rather than a proprietorship. Among firms with 20 or more employees, less than one in five are proprietorships. In this group, more than half of the firms are incorporated, and partnerships are somewhat more numerous than proprietorships. It should be noted that, though more than half of all firms with 20 or more employees are corporations, three-fourths of all corporations are firms of smaller size.

—BETTY C. CHURCHILL in *Survey of Current Business* (U. S. Department of Commerce) 6/51

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THE PAY-OFF: Cash dividend payments by U. S. corporations during the first five months of 1951 hit a record \$2.5 billion, about 11 per cent higher than a year ago. Other income is rising even faster: U. S. personal income (including wages, salaries, farm income, etc.) rose to an annual rate of \$246 billion in the first five months of this year, 14 per cent better than the same period in 1950.

—*Time* 7/30/51

## Also Recommended . . .

**THE STRATEGY OF BUSINESS GROWTH.** Cost and Profit Outlook (Alderson & Sessions, Broad and Walnut Streets, Philadelphia 2, Penna.), April, 1951. Discusses principles of business strategy, which involve questions of promotion, pricing, distribution policy, product development, and investment in plant capacity, and the ways they must be adapted to the needs of the business as it passes from one stage of development to the next.

**THE INTEGRITY OF THE DOLLAR.** By Sumner H. Slichter. An address before the Semi-Annual Meeting of the Academy of Political Science. Professor Slichter presents reasons for his conclusion that, although the policies of the government increase the probability that prices will rise, runaway inflation is not likely. He believes that slow depreciation of the dollar is likely to raise the average level of employment, and therefore the output of the economy and the standard of living.

**HOW GOOD IS "ECONOMIC EDUCATION"?** Fortune (540 N. Michigan Avenue, Chicago 11, Ill.), July, 1951. Economic education is defined, in this study by the Brookings Institution, as a means of promoting understanding of the forces and factors that produce higher standards of living. What kind of job are the schools doing? Do textbooks have a socialist bias? Are some private efforts "rackets"? These are some of the questions answered in this informative article. A major finding is that only a very small percentage of high school students are getting any real grasp of the economic factors and forces that are responsible for higher standards of living.

**HOW THE CONSUMER'S PRICE INDEX IS MADE.** Labor Law Journal (Commerce Clearing House, Inc., 214 N. Michigan Avenue, Chicago 1, Ill.), August, 1951. This statement, made by Mr. Clague before the Subcommittee of the House Committee on Education and Labor, describes the history and nature of the Consumer's Price Index. He points out the difference between the price index and cost-of-living index, and expresses the opinion that a well-designed and well-maintained price index—i.e. the measure of changes in the cost of the same market basket from month to month and year to year—has been found to be a good approximation to a cost-of-living index under most circumstances.

**DO'S AND DON'TS OF INDUSTRIAL PUBLICITY.** By Tom Campbell. Industrial Marketing (200 East Illinois Street, Chicago 11, Ill.), July,

1951. Discusses general principles of industrial publicity with some helpful pointers on its preparation and placement.

**DESIGN OF AN INTEGRATED RESEARCH PROGRAM.** By James A. Stewart. Proceedings of the First Annual Conference on Industrial Research (King's Crown Press, 2960 Broadway, New York 27, N. Y.), June, 1950. The author defines an integrated research program as one which involves the coordination of specific research projects into a whole and looks toward a uniform objective. He presents a method for achieving such a program, using the research organization of the American Can Company as an example. Among the topics discussed are project conception, planning, and selection, cooperation with the other departments of the company, and the need for continual project re-evaluation.

**THERE'S GOLD IN YOUR TRADE ASSOCIATION.** Changing Times (The Kiplinger Washington Agency, 1729 H Street, N.W., Washington 6, D. C.), July, 1951. When the Chamber of Commerce of the U. S. surveyed 500 associations, it found that they offered 29 kinds of services, which have value far greater than the price of membership. This article calls attention to the fact that through his trade association the small businessman can avail himself of highly qualified assistance without having to hire market analysts or run research laboratories.

**COLLEGE PROFESSORS GO TO BUSINESS!** By Nathan Kelne. Printers' Ink (205 East 42nd Street, New York 17, N. Y.), July 20, 1951. This summer hundreds of college and university professors will attend sessions held by some of the nation's biggest industrial giants to learn what makes big business tick. This program is part of industry's growing realization of the need for a closer relationship between the college campus and the factory yard. One of the most constructive means the companies have of benefiting from these sessions is through the reports submitted by visiting professors.

**HOW GOOD A LEADER ARE YOU?** By Auren Uris. Factory Management and Maintenance (330 West 42 Street, New York 18, N. Y.), July, 1951. Leadership is a skill which involves the successful application of three basic tools—democratic, autocratic, and free-rein technique. In this discussion of how you can acquire and/or improve leadership skill, the author includes a practical guide for measuring your progress.

## Office Management

### HAVE YOU A MODERN OFFICE?

**T**HE TERM "SCIENTIFIC," sometimes glibly attached to office management, has been more of a promise than a realization. Yet we have more reason to use it now than ever before. As we enter this latter part of the century, we are developing a body of knowledge, principles of operation, and a terminology of our own. While the full realization of the term "science" as applied to office management is still a long way off, we now have reason to feel that the scientific method is being employed more and more in modern offices.

A rapid review of recent trends in our offices would reveal the following: (1) The office has more employees and more divisions of labor than ever before. (2) Machines and equipment have multiplied with more specialized applications. (3) The techniques of methods simplification are more generally understood and utilized. (4) National and company standards are being developed. (5) There is more tendency to recognize and combine office operations under one responsibility. (6) Various associations representing special interests in the field are being organized. (7) Offices are more conscious of the working environment of office employees and of their well-being. (8) Office employees are developing a group consciousness, and management recognizes more clearly that it has a responsibility to them as a group. (9) Employee training and office manuals are everywhere on the increase. (10) Management recognizes more fully the importance of defining organization and clear lines of authority. (11) Management has viewed with alarm the increase in office costs and realizes

that procedures and services must mesh together efficiently, consistently, and economically. (12) Management is using more staff and consultant assistance in the office, with the realization that fact-finding must precede decision.

Since these trends are moving forward, I suggest that we take inventory of ourselves. Have we an office which has kept pace with these trends?

The first thing we should realize is that if we cannot draw a chart of our organization, the chances are there is confusion somewhere. We should be able to put down on paper the relationship of office service to the rest of the organization and the relationship of the office service units to each other. You cannot hit a target unless you can see it.

In acquiring a clear concept of office services, I believe we shall arrive at two principles in their internal organization:

1. The necessity for furnishing technical leadership to our processing supervisors, who need direction in research, innovations, and improvements.

2. The importance of spreading, not pyramiding, the supervision of these services. When we place layers of administration between the processing supervisor and the office manager, we are likely to screen out all real information except in emergencies.

Another thing to remember is that red tape is the longest line between two office points. We can best realize what this foolishness costs if we examine the details that make it up.

The business form is an example of one such detail. We draft a form for a

particular purpose. Then we send it to the printer with an order for 10,000 copies. However, the way the form is planned and designed standardizes the actions required in filling it out; everything good, bad, or useless is multiplied 10,000 times.

If we were to go back to the single draft that started these 10,000 group actions, we might find items that were placed wherever there happened to be room on the form, groups of items not arranged in the sequence in which they were to be checked, and many other inefficiencies in planning. Perhaps we never thought that all the items should register on a machine for rapid operation. Once we found on a test that an operator could type 11 characters while she was trying to find a space for entry without the tabulator stop. These problems occur frequently, and all are multiplied when the form is put to use.

Despite such difficulties, office management has expanded rapidly in recent years. For instance, when we raised the levels of lighting to improve seeing conditions we discovered that we also increased the light on all bright objects and increased the contrast between lights and shadows. This started the trend to light colors in desks, files, equipment, and wall coverings. Since all desks could not be changed,

many companies changed desk tops to mist green linoleum. The use of a light-colored desk blotter as a background for the white paper has also proved practical.

Another trend today is toward the employee point of view. There is less emphasis on mechanization and more emphasis on humanization. Our personnel divisions keep preaching the gospel of human relations. Manuals inform employees of our objectives, policies, and procedures. Suggestion systems invite contributions from those who do the work. Employee training orients new employees and adds skills to older employees. Here I want to put in a plug for the supervisor down under. In office services, he is often on a real firing line. Let us give him a little personal attention, for it has been written that "big shots are only little shots that keep shooting."

Finally, there is one thing that is more important than anything else in creating a modern office. Office management must have the understanding, appreciation, and backing of top management. If top management is indifferent to the trends in office management, you will make indifferent progress. If top management appreciates the importance of office management in reducing costs and increasing efficiency, you will make significant progress. No stream can run above its source.

—CHARLES O. LIBBEY. *The Office*, July, 1951, p. 41:8.

#### AMA OFFICE MANAGEMENT CONFERENCE

*The Office Management Conference of the American Management Association will be held on Thursday and Friday, October 18-19, at the Hotel New Yorker, New York City.*

## OFFICE WORKERS' SALARIES: SOME INTER-CITY COMPARISONS

**T**HE PRELIMINARY RESULTS of a survey of community wage rates in New York City, believed to represent the earnings of some 1,300,000 workers in more than 4,200 business establishments, were released recently by the U. S. Labor Department's Bureau of Labor Statistics.\* The survey, which was made last April, yields information on wages on a cross-industry basis for more than 75 of the more important clerical, professional, technical, maintenance, power plant, custodial, warehousing, and shipping occupations in this city.

Average weekly earnings of office workers in New York City have risen in a majority of cases from 15 to 20 per cent since 1948. This is equivalent to increases of from \$6 to \$8 a week for some occupations. Typical increases were reported for general stenographers who earned \$49.50 a week in April, 1951, as compared with \$43.37 in February, 1948; switchboard operators earned \$49 a week in April, 1951, as compared with \$42.56 a week in February, 1948; routine typists earned \$41, and file clerks earned \$38 a week in April, 1951, as compared with \$34.96 and \$32.40 a week in February, 1948; office boys earned \$35.50 a week in April, 1951, as compared with \$30.52 in February, 1948. Salaries of men who were employed as hand bookkeepers in April, 1951, were reported at \$73.50 a week as compared with \$64.43 in February, 1948; while men who were engaged as accounting clerks in April, 1951, earned \$59 a week as compared with \$51.60 in February, 1948.

The survey revealed that New York office workers receive more money and work fewer hours a week than do clerical employees in Boston and Atlanta, where

similar surveys were made last March. In Atlanta, for example, where the work week is from two to four and one-half hours longer, weekly salaries are generally \$4.50 to \$7 below the rates prevailing in New York City. Boston white collar workers, though putting in from one to two and one-half hours more than similar workers in New York, receive \$3 to \$8 less a week. On the other hand, a community wage study in Chicago made last April reveals that average weekly salaries for two out of three clerical occupations which were studied in that city range from 50 cents to \$4.50 higher a week than in New York; however, the average work week in Chicago is one and one-half to three and one-half hours longer than in New York, and it was noted that when earnings in the two cities were adjusted to take care of the difference in hours worked, the average hourly rates in Chicago were higher for only one occupation.

Among the selected plant occupations, it was revealed that the average hourly earnings in New York are generally higher than in Atlanta and Boston, but somewhat lower than in Chicago; for example, maintenance automotive mechanics earned \$1.75 an hour in New York last April or about 24 cents more than in Atlanta and 15 cents more than in Boston, though 23 cents less than in Chicago. General utility maintenance men received \$1.65 an hour in both New York and Chicago—33 cents more than in Atlanta and 19 cents more than in Boston. Electricians in New York earned \$1.92 an hour while mechanics were paid \$1.83 and painters received \$1.67. It was noted that 45 per cent of the workers in maintenance and power plant occupations in New York received more than \$1.80 an hour in April.

The rate for janitors and porters in both New York and Chicago was \$1.22

\* Copies of this preliminary release may be obtained gratis from the regional office of the Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y.

an hour, which was 32 cents higher than in Atlanta and 13 cents more than in Boston. Among the four cities for which comparative rates are available, average

hourly earnings are higher in New York for watchmen, who received \$1.20 an hour, and women cleaners, who were paid \$1.07.

## FACTORS IN EFFICIENT OFFICE LAYOUT\*

**I**N PLANNING on office layout, the major factors that must be considered carefully are the size and shape of available space, the number of employees to be accommodated, the routing of the work, the comfort and convenience of employees, allowance for expansion, and the importance of good appearance. The relative importance of these factors will, of course, vary in individual instances.

It is advisable to keep the following arrangement factors in mind:

1. Aisles, or passageways, leading to the main exits should never be less than 44 inches wide, preferably 66 inches wide. Minimum aisle space between rows of desks: 36 inches for a secondary aisle, 44 inches for intermediate, and 60 inches for a main aisle.

2. The working space between the back of one desk and the front of the next desk—the clerk seat space—should never be less than 28 inches, preferably 36 inches. The preference for the latter spacing occurs where there are more than two desks in a row.

3. If files are set up front-to-front or to open toward an aisle, desk, or other piece of equipment, the main and subsidiary aisles should measure 44 to 66 inches and 28 to 36 inches respectively, when the file drawers are open.

4. If shelving is set up front-to-front or if it opens toward an aisle, desk, or other piece of equipment, the main and subsidiary aisles are equal to the depth

of the shelving plus 44 to 66 inches for main aisles and 28 to 36 inches for subsidiary aisles.

5. Large open spaces are better than the same space cut into smaller rooms, because they make control and communication easier and provide better light.

6. Solid wall partitions should be avoided because of their inflexibility. Metal, composition, or other movable partitions are preferable.

7. When partitions are installed around clerical groups, two adequate means of exit should be provided.

8. Persons using pens or pencils should have the light coming over the left shoulder. Those using typewriters may have the light coming over either shoulder. No employee should face the light.

9. Desks should face in the same direction. They should not face each other unless two people work together. Desks should not be placed tightly against, and facing, a wall or partition.

10. For maximum efficiency, not more than two desks should be set side by side, enabling each person to be on an aisle and to get in and out without disturbing anyone else. The highest practical number of desks per row is five.

11. Desks should be arranged to give a straight line flow of work so that each desk occupant will receive his work from the person behind or beside him.

12. Files should be placed against walls or railings if possible.

\* From *Office Planning and Layout*, published by Policyholders Service Bureau, Metropolitan Life Insurance Company, New York. (Issued to Metropolitan group policyholders; limited supply available to fill requests of other executives.) This 31-page report provides information on area requirements, large-scale rearrangements, heating, ventilating, and lighting, purchases of furniture, and other problems of office layout. Also included are valuable charts, as well as a comprehensive list of references.

13. Heavy safes should be located close to walls or columns to prevent as much strain as possible on the beams.

14. If lockers are to be placed inside a department, they should be located near the exits but not close enough to block passages or to interfere with the work of those sitting near them.

15. Employees should be placed near the person having authority over them.

16. Those who do the "closest" work should be located nearest the light.

17. Employees having the most communication with other sections should be located nearest the exits.

### Office Accidents: Getting at Causes

THE BETTER YOU KNOW and understand accidents in your office, the better you can work to prevent them. To determine the causes of office accidents, Consolidated Edison's Safety Bureau has compiled statistics on accidents in offices throughout the system. These show that falls are the chief injury cause and are usually the result of wet spots on floors, smooth-worn or highly polished surfaces, plus carelessness and inattention. Next, come cuts, burns, and bruises caused by pins, knives, pencils, pens, scissors, paper cutters, fans, machines and hot steam pipes. Office gadgets will strike back if the office user is unwary. Collisions from walking into drawers and doors, hitting the head on files, and walking into people, are the third most dangerous cause of office injuries.

—The Office 3/51

### Production Standards for Clerical Tasks

WORK STANDARDS, unfortunately, cannot be readily established on a nationwide basis for the wide variety of jobs found in business offices. Some efforts have been made by national associations to set standards on certain well-known kinds of work; however, these will prove of reference value only to supervisors and others engaged in the setting of standards. Some standard time allowances which have been found to exist in a composite of business firms may be of interest:

KIND OF WORK	HOURLY
Type addresses or labels (from typewritten copy) . . .	141
Address envelopes by hand . . . . .	111
Straight typing (keystroke count) . . . . .	13,786
Typing ledger sheets . . . . .	111
Sort bills of lading into Sortograph . . . . .	1,356
File correspondence . . . . .	130
Print and insert index cards . . . . .	242
Tab addressograph plates . . . . .	678
Emboss addressograph plates with name and address. .	61
Post accounts on bookkeeping machine . . . . .	242
Feed envelopes through postal meter . . . . .	8,023

Some hourly standards assembled by a company that made a study of typewriting production in businesses throughout the country are as follows:

Copying from printed copy . . . . .	200 lines
Copying from fairly legible printed copy . . . . .	175 lines
Copying from stenographic notes . . . . .	125 lines

—ROBERT L. PETERSON in *Office Work Standards* (University of Illinois Bulletin)

THE INDUSTRIAL ENGINEERING department of Pitney-Bowes, Inc., Stamford, Conn., has found a measurable difference of 6 per cent more production from electric typewriters than from manual machines.

## FACTS ABOUT OFFICE UNIONIZATION

**A** KNOWLEDGE OF trends in unionization and collective bargaining practices among white-collar workers is of vital importance to the office executive—particularly under present emergency conditions.

To obtain up-to-date facts about unionization in the office, a survey was recently conducted by the National Office Management Association among 605 companies in the United States and Canada, employing a total of 172,947 office workers at their various locations.

In response to the question, "Is there an office union in your company at your location?" 10 per cent of the companies reported yes. The figures indicate a trend toward increased unionization as the size of the organization increases. This does not imply, however, that large companies have been unionized because of poor personnel practices, but rather that unions have concentrated their activities on the larger organizations.

Of the 62 companies reporting office unions, 25 per cent said the unions were members of the CIO; 10 per cent said they were of the AFL; and 43 per cent said the unions were independent or other. All companies did not specify the affiliation of their office unions, however.

In those companies which do have office unions (10 per cent), generally about 70 to 80 per cent of the office employees are members of the unions. The scatter was between 62.3 and 86.7 per cent indicating no offices which are completely unionized.

Five companies (only 1 per cent of the sample) reported they once had a union but do not have one now.

Probably the most important results of

the survey was the finding that most companies do not have any office union problems at all. Approximately 75 per cent of all the companies included in the survey indicated that they have no office union difficulties.

Regarding the question "Do you have direct financial incentives for individual clerical production?" only 32 of the 605 companies reported yes. In these 32 companies, 29 per cent of the jobs covered were typists; 8 per cent were key punch operators; 11 per cent were calculating machine operators; 7 per cent were file clerks; 1 per cent were bookkeepers; 2 per cent were billing clerks; the remainder covered other tasks, usually of a repetitive nature.

Finally, it was found that only 7 per cent of non-unionized companies have formal, written grievance procedures for their clerical workers; most of the companies included in this 7 per cent are in the larger company classifications.

The results of the survey do not seem to indicate a trend toward the increase of white-collar unions. However, this does not mean that office management should not be alert to the current status of office unionization. Management should not look upon the minority who are seeking union support as simply a small, noisy, radical group.

When a company does not have sound management practices, then what is advocated by organized labor is usually no more or less than sound management. It is, therefore, up to office management to establish equitable and workable personnel practices and grievance procedures.

—O. RICHARD WESSELS. *Office Executive*, July 1951, p. 12:3.

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A LONDON STENOGRAPHER with a year's experience receives about \$15 a week.

—Economic Research Department, U. S. Chamber of Commerce

## Tests Indict Glare and Noise

THE POPULAR NOTION that too much light and sound cut down a person's efficiency receives strong support from the *Handbook of Human Engineering Data for Design Engineers* recently issued by Tufts College.\* It reports a series of tests which showed that glare significantly increases muscular tension, sometimes as much as 30 per cent. Though visual tasks may be carried on under severe handicaps with no immediate loss in accuracy, over a long period of time a decrease in efficiency accompanies nervous muscular tension.

The energy required to type under the noise conditions usually encountered in a busy office has been measured by basal metabolism tests. When plaster walls were left bare to reflect noise, the typists showed a metabolic rate 71 per cent above the resting level; when the walls were covered with a sound-deadening material to absorb about half the noise, the metabolic rate was only 52 per cent above the resting level, and there was a 43 per cent increase in typing speed.

In an experiment in a weavingroom, the workers' speed increased about 12 per cent when they were wearing ear protectors. There is some evidence that even after years of work in noisy surroundings, workers do not become completely adapted to the noise, but have to adjust themselves daily.

—*Industrial Bulletin of Arthur D. Little*

\* Available from Tufts College Bookstore, Medford 55, Mass. \$5.00.

## Also Recommended . . .

**MECHANIZATION IN THE OFFICE.** By Lee S. Whitson. *National Office Management Association's 32nd International Conference Proceedings* (132 West Chelton Avenue, Philadelphia 44, Penna.) The three basic objectives in planning a mechanization program are: to reduce costs; to do a better job than could be done manually; and to perform jobs that cannot be done manually. The author suggests that the best way to achieve these goals is to examine all office operations, rather than individual jobs; to combine or eliminate operations where possible; to determine information and forms required; and finally to integrate present equipment needs with probable future requirements.

**MACHINES SLASH OFFICE TURNOVER.** By Lewis Bolger. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), July, 1951. Philadelphia's Lit Bros. Department Store has applied the benefits of high-speed machine methods to a program which takes the drudgery out of weekly personnel comparison and variance reports, payroll handling, and office work production bonus plans. This program has helped reduce the turnover in 1,500 jobs that made it necessary to hire 7,000 people a year.

**OFFICE BUYING OFFERS OPPORTUNITIES FOR IMPORTANT SAVINGS.** By E. M. Krech. *Purchasing* (Conover-Mast Publications, Inc., Orange, Conn.), August, 1951. This detailed case his-

tory of one company's procurement program for office equipment and supplies presents many practical recommendations for efficient purchasing and maintenance arrangements. The author also makes a good case for the centralizing of purchasing activities.

**CONSOLIDATED EDISON'S PROCEDURE FOR OFFICE SAFETY.** By Sidney Feldman. *The Office* (270 Madison Avenue, New York 16, N. Y.), March, 1951. Con Edison's accident prevention program in the office proves that not only is such a program effective but that it can more than pay for itself. This article provides a detailed description of this company's safety program, outlining all the features which have contributed to its success. Safety rules properly taught, reminder literature, refresher lectures, and well-enforced rules are the key to fewer accidents, the author concludes.

**REDUCE COSTS WITH STATISTICAL SAMPLING.** By A. B. Cummins. *Office Executive* (132 West Clinton Avenue, Philadelphia 44, Penna.), July, 1951. Although the statistical sample is complex in theory, it is simple in application, has the practical value of adequately reflecting and describing a large body of facts, and in a dynamic situation may be the only method of achieving highly valid criteria. The author describes in detail a technique with which all office managers and supervisors can make a valuable start on a program for reducing costs.

## Personnel Management

### WHAT IT TAKES TO BE A GOOD PERSONNEL ADMINISTRATOR

**T**HE DIFFERENCE between success and failure in the personnel field more often revolves about the personal characteristics of the personnel administrator than his knowledge of the technical aspects of the work. The following are a few attributes of the successful personnel executive which I feel are highly significant:

1. *He must be absolutely sincere in his determination to be impartial and fair to both management and employees. Sincerity begets confidence, and confidence, in my judgment, is the cornerstone of all good personnel relations. I would much prefer to have it said of me that any mistakes I make are mistakes of judgment rather than mistakes of the heart.*

2. *He must be able to work at all levels of the organization with equal facility. This is a quality that is not required, at least to the same degree, of others in the organization. He must be able to meet with the president and not yield if he knows that he is in the right; to maintain the respect of his fellow-workers; and to counsel with the rank and file, never "talking down" to them nor giving the impression of condescending.*

3. *He must be a good listener. To act as a "sounding board" in many instances may be all that is necessary, but to acquire that habit is not easy, for some of us are inclined to monopolize the interview. The real function of the personnel administrator in most interviews is to guide them—not to dominate them.*

4. *He must be able to analyze situations carefully and reach decisions with reasonable promptness. Obviously, the success-*

*ful personnel administrator must have all his facts, but he must also realize that people want decisions, not delays and evasions. It is often fatal to sidestep, or bluff, or "brush off." This is an area in which the reputations of personnel people may suffer seriously—the area of indecision.*

5. *He must be unyielding when the matter is one of high principle. He must never compromise with his own conscience. That means he must be fearless in his expression and determined in his action; but he must be certain that the matter is one of principle and not of detail.*

6. *He must be able and willing to compromise graciously when a matter of detail or honest difference of opinion is involved. To compromise on the relatively unimportant does not decrease but rather increases his stature in the eyes of others.*

7. *He must combine the head and the heart. Obviously, in his work there is a place for the scientific approach; but, equally, there is a place for simple kindness, complete understanding, generosity, and a willingness to be helpful to others.*

8. *He must develop deep and abiding beliefs and convictions, and have adequate sources from which to derive strength. We need to sink our taproots deeply lest the cares that infest the day overwhelm us. Give me a person with strong beliefs and deep convictions—one who has acquired a way of living; let me add to him the technical information that he will need, and I will have full confidence that he will go far in this field we call personnel administration.*

—From an address by H. L. RHOADES before the 1950 Annual Conference of the Life Office Management Association.

## THE "TOO-OLD" WORKER: HAVE WE BEEN REALISTIC?

ONE OF THE FEW apparent certainties in the present economic muddle is that there will be greater emphasis upon productivity than ever. Among the many areas where this can be achieved is the utilization of the "too-old" worker. If, during the past two years, as much effort and talent had been concentrated on improving his economic usefulness as his retirement, great strides would have been made toward filling one of the most important needs in the years ahead of both the economy and the individuals involved.

The force of economic circumstances may bring about a reappraisal of attitudes on the subject of retirement with a probable solution to the problem of the "too-old" worker that will be more realistic than just paying pensions on a given birthday.

The programs that would result from this approach would have the essential elements of (1) providing larger financial assistance for those who are physically or mentally incapable of productive work; (2) expanding the opportunities for continued usefulness for those who are capable of and want to continue working; and (3) reallocating accumulated reserves to provide more financial aid for those

who need it and also payments to those who voluntarily retire.

This cannot be accomplished by each employer individually. Among other problems, there are differences in the numbers of older workers that certain industries can absorb. The cooperation of community, service industries, government, and other employers is essential. Yet, the principal motivation for solving the problem must rest with the individual employer.

Chronological age retirement plans will continue to play an important role, but they can become both more practical and economically justifiable if their "myopic" horizons are extended by incorporating them in programs that are more realistic.

Evidence now being accumulated suggests that the objections to and presumed disadvantages of a program that provides for other than chronological age retirement would be dissipated in time by long-range pre-retirement preparation. It is likely that in the future, as we place more emphasis upon different things, we will find that we also have different conditions—that most of our objections are more psychological than real.

—For Your Information. (Edwin Shields Hewitt and Associates, Chicago 4, Ill.), Vol. 3, No. 11.

### Manpower Reservoir Running Dry

THERE ARE NOW MORE PEOPLE EMPLOYED than there were in the entire labor force when it was at its World War II peak. For almost all of 1951, employment has so far run over 60-million. The latest count is 61.2-million. Yet the "reserve" of unemployed is still greater than it was in 1943, 1944, or 1945.

As businessmen well know, the dimensions of the labor force are highly flexible. A sudden wealth of good jobs at good pay will sharply raise the number of people willing and able to work.

This doesn't mean, though, that the labor force is infinitely expandable. There's a limit to the number of halt, lame, blind, retired, youths, and housewives who can be induced to take jobs. It is now pretty generally agreed that the limit on employables is not far off.

*Business Week* 7/7/51

## JOINT UNION-MANAGEMENT EVALUATION: A TRADE UNIONIST'S VIEWS

**A** JOB EVALUATION PROGRAM will generally be proposed to a union as a technique for rationalizing the wage structure. Management feels that differentials in income should reflect the demands that different jobs impose upon different men's capacities. This is at least what they say. However, the trade unionist is not so sure that they mean it.

We can all agree that the wage scale should begin at the bottom of the ladder with the job that makes the fewest demands upon anybody's capacity. Let's pick such a job at random—say, that of a janitor. Now, any man who takes a janitor's job brings to it the very minimum capacities specified in most evaluation schemes. But let us compare the capacities required by the janitor's job with those required by the president of the giant corporation, the modern industrial genius.

Morris Viteles has some interesting things to say about the relative capacities of the two groups from which respective candidates for these positions are drawn:

"The difference between the general intelligence required of the janitor and that demanded of a highly skilled worker or top superior appears to be well-nigh limitless. Actually, in terms of numerical values, the general intelligence of the successful employee in such a top job is seldom found to be more than three times that of the most stupid worker in the least responsible job. This ratio of 1 to 3 between the extremes of ability and an even lower ratio of less than 1 to 2 for physical measurements, measures of motor functions, etc., recur with striking frequency in studies of individual differences in ability, skill, and other human traits. Very seldom is the ratio greater than 5 to 1."

The implications of these conclusions for job evaluation are quite obvious. No job can be worth more than the maximum capacities a man is expected to bring to a job. On the other hand, no job can be worth less than the very marginal capacities a human being must, of necessity, bring to a job. If the president of a great corporation seriously believes that he wants the pay scale based upon the relative objective value of a job, then he is obliged to take for himself no more than five times the hourly rate which he pays to the lowliest employee in his establishment.

The trade unionist has discovered that the corporation executive will not be satisfied with such an arrangement. It is fruitless to expect complete rationalism in a wage policy when almost all other economic policies possess irrational elements. Pricing policies are not always based upon cost. Deluxe models of appliances are marked up more because of the average consumer's willingness to pay a higher price than because of the extra labor cost and materials in deluxe models. It is for reasons like this that trade unionists are exceedingly suspicious of this desire to rationalize only one element in the economic picture, the wage structure. Suppose that \$300 were to be divided between two men rationally. One man possessed a relatively low intelligence, the other man a relatively high intelligence. The former was phlegmatic and indifferent, the latter aggressive and ambitious. As Viteles remarks, the ratio of this combination of traits could be at the most 1 to 3. Would the distribution of this income be divided in the ratio of \$75 to \$225, or would the man with the high pugnacity coefficient and the intelligence to match it go off with the whole \$300? His intelligence

might lead him to leave the victim about \$10 to make sure that his rival would not be goaded into revolt. Now, just multiply the man with the low pugnacity coefficient by millions, and we have a much better explanation of why incomes are distributed the way that they are than we can get from any high-flown theories about relative contributions to society.

You may now assume that I am opposed to job evaluation, but that isn't the case at all. I don't believe, and I don't believe that management believes, that it is the function of job evaluation to compensate workers in accordance with the so-called value of the job. Nor

can job evaluation be used as the sole determinant of how to build a relative wage structure. It is but one of the many factors that enter the collective bargaining picture in fixing a final wage scale. Others include: (a) irregularity of employment; (b) the career prospects of the job; (c) supply and demand; (d) the traditional prestige carried by the job in the plant social system. The trade unionist, therefore, views job evaluation as a device to measure relative job content and nothing more. This relative content is just one of many factors that contribute to the building of the final wage scale.

—From an address by WILLIAM GOMBERG before the Industrial Relations Center, University of Minnesota.

### **New Seniority Plan Cuts Layoff Grievances**

FORD MOTOR COMPANY and United Auto Workers (CIO) have worked out a solution to one of conversion's nastier problems: How should the company—or union—handle grievances that come up when employees are laid off at one plant, while new workers are being hired at another?

At the start, Ford and UAW agreed to cut down on the number of grievances by a new seniority plan covering some 80,000 employees in five Ford plants in the Detroit area.

Under it, workers laid off in one plant due to curtailed production must be referred to other company plants that are hiring new workers. These men must be put on the payroll before any new outside workers can be hired.

Employees who shift from one plant to another during a layoff will retain their seniority in their original plant. Moreover, the time in the second plant will add to: (1) the worker's pre-layoff seniority in the old plant; (2) his pension credits; and (3) his vacation and other benefits, which may vary according to length of service under the Ford-UAW areawide contract.

The agreement also gives Rouge employees first claim on new jobs in other departments whenever they are laid off in a work curtailment in their own department.

—*Business Week* 3/3/51

### **AMA FALL PERSONNEL CONFERENCE**

*The Fall Personnel Conference of the American Management Association will be held on Monday, Tuesday, and Wednesday, September 24-26, at The Waldorf-Astoria, New York City.*

## ABSENTEEISM: DON'T LET IT GET AWAY FROM YOU AGAIN

**L**IKE DEATH AND TAXES, some absenteeism will always be with us. There is no easy way to keep the worker on the job; however, the chances are that he will be as steady as he can, if management helps him.

Absenteeism is basically both an individual and a group problem within the plant. For proper control, management must pay as close attention to itself as to the worker. More often than is fair, the worker becomes the scapegoat. Yet only a small percentage of workers account for most absences—many of which are not their fault.

Can you measure individual attendance? Here the question really is whether to use duration of absences or their frequency as the basic measure. Duration measures total number of days lost by a worker. Frequency measures the total number of absences, regardless of duration. In general, you will find that frequency of absences is a better measure than duration. It is fairer, too, since workers should not be penalized for long absences due to illness or approved leave of absence.\*

What's "par," or "normal"? During World War II, the U. S. Department of Labor admitted: "Nobody really knows what 'normal' absenteeism is or should be. A curbstone estimate has placed it at 2 per cent or 3 per cent." Today the answer is the same. What may be thought poor by one firm may seem to another to be impossible to attain. In fact, some companies are happy if their absenteeism rate doesn't go above 6 per cent; others worry when it tops 2.5 per cent.

Who are your problem absentees? This is an important question. It points up the need for proper records, and for proper analysis of those records. It usually leads

to the quick conclusion that the majority of your workers are not "absentee problems" at all. Research shows that they apparently prefer to be at work—even in wartime—and stay away only when compelled by outside factors.

This suggests two courses of action: (1) for your "regulars," steady effort to help them continue their good attendance; (2) for chronic absentees (absent over five times), prompt identification of offenders, and a plan to correct the condition.

What are the causes of absenteeism? Besides the obvious one of injury and illness, the causes, during World War II, fell into two main groups:

1. External causes included transportation, housing, and rationing troubles, lack of child care, "draft notice blues," bad nutrition, lack of recreation, and shopping and housekeeping obligations of women.

2. Internal causes included unaccustomed high wages, long hours, marginal or poorly trained workers, poor working conditions, poor food facilities, chaotic production scheduling, and job boredom.

In most cases, the external causes were easier to cope with, as was shown by the experience of many companies in setting up special services and facilities to meet local needs.

The internal causes, however, were the more important ones. Two of these causes may not be so important now as in World War II. For one thing, high wages are no longer "unaccustomed," and inflation makes it less likely that workers will take time off in their haste to spend their big earnings. Also, the chances are good that industry will pay heed to what it learned in World War II about work schedules. The really important internal reason for absenteeism in the wartime 1940's was morale, and it still is the big problem.

How do you build morale? There are

\* See "Times Absent vs. Days Absent as a Measure of Absenteeism," by Bernard J. Covner and Max Smith in *PERSONNEL*, July, 1951.—Ed.

no short-cuts to better morale. But you can get some vitally important clues from the results of Harvard University's research during World War II into the causes of absenteeism. Analysis showed that the effect of human-relations-minded management upon absenteeism stood out above every other factor—including working hours and working conditions. The researchers compared one company that had by far the best attendance record with two others. They found three big differences:

1. The best company emphasized human relations training. For 20 years the foremen in this plant had been trained in technical and human skills. They had learned to handle human relations on the job in terms of three simple rules: (a) be patient; (b) listen; and (c) avoid emotional upsets. Nothing was too trivial to be carried up the line of authority.

2. The best company gave enough time

to handling human problems. The foremen had the help of qualified assistants who relieved them of routine technical duties. They had time to develop teamwork. Each foreman kept his own records.

3. The best company encouraged worker participation. The foreman and workers on his shift arranged weekly the days each worker would have off. The group put steady pressure on its members to be on the job regularly. This encouraged mutual responsibility.

Another study by the Harvard group in a Southern California aircraft industry reinforced these conclusions. Where team leadership was strong in the person of a foreman or leadman, the workers tended to say "we." Most absences occurred among those who were new to the job and had not yet "made" the team. Where supervision was weak or other plant conditions prevented the formation of "teams," the immediate symptom was absenteeism.

—ELLSWORTH S. GRANT. *Factory Management and Maintenance*, April, 1951, p. 52:5.

### **Foot Care Program Increases Efficiency—Cuts Costs**

AMERICAN INDUSTRY could halve the bill it pays each year for accident, industrial fatigue, and absenteeism resulting from foot ailments, according to a report on a three-month industrial foot care program just completed at the Garwood, N. J. plant of Metal Syndicate, Inc.

Anticipating an increased strain on its plant facilities because of defense orders, the firm set up a clinical program designed to cut its production and manpower losses arising from foot disorders. The examinations and necessary treatment were given on the premises, in an already existing first-aid clinic.

A preliminary survey of the program shows that industrial fatigue was reduced by 40 per cent and absenteeism dropped 22 per cent. The factory superintendent estimated that the boost in morale and efficiency raised output per worker by more than 15 per cent. It is anticipated that continuance of the foot care program as a permanent project will cut production losses even further.

It was discovered that the major cause of foot ailments, and resulting fatigue, was ill-fitting or unsuitable shoes. This was particularly true among women workers. A close correlation was also found between poorly fitting footwear or unsuitable shoes and industrial accidents. Contrary to popular belief, it was found, for example, that rubber-soled shoes were more slippery than leather soles on wet or oily surfaces.

The three-month foot hygiene project of Metal Syndicate corroborated earlier studies which had disclosed that aching feet frequently set up a chain reaction of other complaints such as leg and back pains, headaches, and posture defects.

## TRIPARTITE BOARDS OR SINGLE ARBITRATORS?

**L**IKE PRACTICALLY all questions in the field of industrial relations, a good deal of controversy hovers over the question of whether a single arbitrator or an arbitration board is to be preferred in voluntary labor arbitration. At one extreme, hardly a good word can be said for tripartite boards while at the other, there is little confidence in arbitration conducted by a single arbitrator.

The idea of tripartite boards is in general older than that of single arbitrators, a factor which in itself has something to do with their greater acceptability today. The advantages claimed for a tripartite board are many. First, it is claimed that, with the labor and industry members participating in decision making, the resulting award will not only be more acceptable to the parties, but also, being the product of collective judgment, will more likely be the correct answer. Second, it is argued that the expert guidance of the partisan board members can be of assistance to the neutral member, who is not in a position to appreciate the problem and the fine points of its setting, especially if he is an ad hoc arbitrator. In the third place, managements are urged to insist upon tripartite boards under certain conditions, perhaps as a defensive measure or so that all control is not lost over the disposition of a case where it goes to arbitration.

Critics of the tripartite board point out that the partisan members are frankly advocates who usually merely repeat the position of the parties they represent. They contend that these members are not only of little aid to the neutral member but they actually hamper him from arriving at a truly judicial opinion. Thus emphasis is transferred to bickering and to compromise in order to produce a decision acceptable to either one of the par-

tisan members for the sake of a majority decision. It is further pointed out that use of tripartite boards is costly in delays, not only in convening the board but also in preparing the decision and even in the simple process of signing it. Frequently there is greater expense attached to using boards than single arbitrators.

In essence, these arguments are the practical expressions of the two basically different concepts of arbitration. One is that arbitration is an extension of collective bargaining and the other is that arbitration is a judicial process. If it is conceived that arbitration is an extension of collective bargaining, then the bargaining arena is transferred to the meetings of the board where the chairman may attempt to mediate between the partisan members to obtain a unanimous decision. Certainly there is an invitation for such action. Acceptability of a decision by the partisan members of the board virtually assures acceptance by the parties. However, a compromise decision, bickering by the board members, and slowness in arriving at a decision are all concomitants of the extension to the arbitration board of collective bargaining, and are likely to be the price paid for acceptability. On the other hand, with a single arbitrator the decision can be judicial and rapid; however, the price may be a grudging acceptance or rebellion against the decision depending partly on the arbitrator, partly on how the case was presented by the parties, and partly on the aspects of the case itself.

Use of the arbitration board would seem to be appropriate when the parties wish the arbitration proceeding to become an extension of collective bargaining. However, it is not likely to be a very efficient instrument except under very special conditions, namely, that there is some

possibility of a meeting of the minds. If the parties are at hopeless odds, it is much more efficient and frequently more satisfactory to choose a single arbitrator or to establish a board with the neutral member having the sole right to make the decision. In the latter choice a judicial decision is usefully combined with such help and counseling as the partisan members can and will give. Where the cases call for the arbitration of run-of-the-mill grievances, it is difficult to find any good rea-

son for arbitration boards especially if the parties are wholly familiar with arbitration techniques. If they are not, it is good long-term policy to obtain the temporary services of one who is familiar with them rather than to seek an advocate to place on an arbitration board. Finally, it does not seem too much to say that as the parties mature in their relationship, arbitration boards, especially in grievance arbitration, will be superseded by single arbitrators.

—ARTHUR LESSER, JR. *The Arbitration Journal* (American Arbitration Association, New York, N. Y.) Vol. 5, No. 4, 276:7.

### **The Personnel Administrator's "My Day"**

THE A. S. P. A. reported the results of a recent survey made in a midwestern city as to how the average personnel administrator spent his day:

- 60 per cent in his department.
- 35 per cent in the plant or other offices.
- 5 per cent away from his work area.

Here is how the work day averaged out:

- 18 per cent, hires, separations, transfers, etc.
- 12 per cent, union matters (formal or informal).
- 11 per cent, personnel department operations (reports, correspondence, records, etc.).
- 8 per cent, employee counseling.
- 6 per cent, employee activities (recreation, mutual benefit, social, etc.).
- 6 per cent, training.
- 4 per cent, matters pertaining to the Cafeteria, Plant Protection, Dispensary, etc.
- 4 per cent, wage and salary administration.
- 3 per cent, safety.
- 12 per cent, forward planning on personnel programs (reading, research, conferring with executives, etc.).
- 11 per cent, promoting and activating the personnel program (preparing material, meetings, selling supervision, etc.).
- 5 per cent, outside committee work, civic participation, etc.

—*Personnel Panorama* (Pacific Northwest Personnel Management Association) 6/51.

FRINGE BENEFITS in still another form are included in the current collective bargaining program of at least one union. These call for companies to contribute monthly a fixed amount per employee for a special fund to establish community centers where workers and their families would receive the following services: (1) medical and dental diagnostic clinic; (2) legal aid for personal and family problems; (3) guidance from experienced social workers in connection with home problems and assistance in applying for various forms of government aid; (4) loan fund for emergencies; (5) consumer education in buying practices, food and diet planning, etc.; (6) recreation and rehabilitation program including play and camp facilities for children in crowded areas and community recreation for older persons.

—*Council News* (Research Council for Economic Security, Chicago, Ill.) 8/51

## SPECIAL BENEFITS FOR INJURED WORKERS

**W**HAT does your company do for a worker who is injured on the job? Workmen's compensation, of course, is one of the legal benefits the employee receives. But lately, management has been embellishing its practices in many ways. Here are some of them:

*Salary Paid Before Compensation Starts.* An injured worker usually receives no payment for the first week or two after his accident. In many families, this creates a serious financial drain. Pryne & Company takes care of this by paying the man his regular wage until statutory compensation begins.

The policy of Sylvania Electric is to pay the employee an amount equal to his Workmen's Compensation benefit rate for the first seven days after an injury. Thus the company takes up some of the slack for the injured worker.

*No Loss of Seniority or Vacation.* At some companies, employees are not penalized by loss of such benefits as seniority and vacations if they lose time as a result of an accident suffered in the plant.

At the Budd Company, the accidentee is given top seniority for the period immediately following his return to work.

Armstrong Cork specifically covers the vacation problem by providing that time lost due to compensable accidents is counted as working time in figuring qualification for vacations. Also, days lost because of injuries sustained in the plant are counted as time worked for premium-pay purposes during the period for which the employee is not receiving compensation under the State law.

*No Loss of Pay Because of Injury.* It's getting to be common practice to give a worker full pay for the day on which he receives his injury, even though he fails to put in his regular stint.

H. J. Heinz Company is also liberal on holiday allowances. It does not deprive a worker of holiday pay he would otherwise be entitled to merely because of an absence due to an industrial accident on the day preceding or following the holiday.

*Supplementary Payments.* A few firms give an injured worker something over and above his compensation payments in special cases of hardship or where the injury was due to mechanical failure or company neglect. Lane-Wells makes "such supplemental payments to the employee as the facts in the case may warrant."

*Integration with Sick Leave Plan.* Companies with paid sick-leave plans often tie them in with statutory compensation. Cities Service Refining Corporation does it this way:

"If a permanent employee is absent as a result of an industrial accident incurred at the refinery, all the sick-benefit provisions . . . will apply. Provided, however, that of the total absent scheduled days resulting from the industrial accident, only that portion of the time representing the difference between the sick-benefit payments and the statutory-compensation insurance payment will be paid by the Company and deducted from the annual three work weeks' sick benefit."

*Disabling Injuries.* A special problem is the worker who is no longer able to do his regular job because of a permanent disability incurred through a plant accident. At A. Schrader's Son Division of Scovill Manufacturing, management makes a special effort to place the employee in another job where he will suffer no loss of pay.

*Special Consideration on Layoffs.* The injured worker whose disability is ap-

parent, frequently has a tough job getting a position elsewhere if he is let go or laid off. For this reason, Armstrong Cork gives special consideration to those individuals when it becomes necessary to cut the work force in slack periods.

—Employee Relations Bulletin (National Foremen's Institute), Report 275, p. 6:3.

### **How Are Your Blanks Drawing?**

WANT TO TICKLE YOUR FUNNY BONE? Pick up a new batch of employee application forms and read some of the scrawls that job hunters have put into the blank spaces. Opposite the query "sex," one filler-inner, under the impression that he was voting for a new fringe benefit, scribbled an enthusiastic "Yes." The section on "Social Activities and Hobbies" is always good for a grin or two. One chap wrote "Women" in a bold, aggressive script.

The joke, however, is really on management. The run of the mill application form is so confusing a business to the average worker that he literally gets stage-struck when he sits down to fill one out.

Here are some questions (each one taken from actual forms) that you can easily leave out without sacrificing one iota of detail:

Do you use intoxicants? (Will any employee say "yes"?)

What hobbies do you have? (Important only after hiring. Why waste time now?)

How do you spend your summer vacations? (What difference does it make?)

Professor under whom you majored in college? (Who remembers?)

Cut down on writing time. Koppers Coke Co., for example, uses a short form for hiring. After the employee is on the job, he has time to fill out a long four-pager. In order to save the employee's time and get better results all around, trim the amount of actual writing a worker must do on the application. One of the best ways is the multiple choice method. For example, supply numbers 1 to 8 labeled "Grade School Education," with the last complete year to be circled.

Keep it simple and you won't draw a blank.

—LAWRENCE STESSIN in *Forbes* 7/1/51

### **Nine Steps for Making Overtime Pay Off**

OVERTIME WORK means heavy payroll costs, justified only if you get full extra production for your money. However, you're not likely to get this production unless you take these steps to handle the many human problems that arise when people work late:

1. Give the maximum amount of overtime notice possible.
2. When it is impossible to give adequate notice, try to get overtime volunteers.
3. Give those who are working overtime as close an idea as you can of how long they will be required to stay.
4. Make sure there are adequate eating and transportation facilities for those working many hours extra.
5. See to it that all necessary lights are left on.
6. Provide all normal washroom and locker facilities.
7. Make sure employees working overtime get adequate supervision.
8. Provide sufficient maintenance and repair services.
9. Keep a first-aid station open.

—Labor Checklist (Research Institute of America, 292 Madison Avenue, New York 17, N. Y.) 7/18/51

## Also Recommended . . .

**WHAT CAN BE DONE ABOUT SALARY RAISES UNDER WSB REGULATIONS:** *The Rules and Exceptions.* By Henry J. Griswold and Walter W. King. *The Journal of Accounting* (270 Madison Avenue, New York 16, N. Y.), August, 1951. This analysis provides a brief over-all picture of the nine general regulations mitigating the original wage freeze and includes practical suggestions for accountants. Regulation 5, which permits certain merit or length-of-service increases without prior WSB approval, is cited as being probably the most important order to date.

**UTILIZING ENGINEERING MANPOWER—DEFERMENT PROCEDURES:** *BULLETIN No. 1.* NAM News, June 23, 1951. (Reprint of a bulletin available at 25 cents per copy from the Engineering Manpower Commission, 29 West 39th Street, New York). This bulletin covers special Selective Service procedures pertaining to college students and current college graduates, as well as the general occupational deferment procedures under Selective Service. It also includes data on the recall of reservists to active duty. If industry is to aid properly in the correct selection and placement of technical personnel subject to Selective Service, it must make certain that local boards and other elements of the Selective Service System are furnished promptly with full information as to the occupational necessity of technical personnel to the particular employer and to the production of his product.

**STRIKE EXPERIENCE IN FIVE COUNTRIES, 1927-1947:** *An Interpretation.* By Arthur M. Ross and Donald Irwin. *Industrial Relations Review* (Institute of Industrial Relations, 201 California Hall, University of California, Berkeley 4, Calif.), April, 1951. The purpose of this article is to measure and compare the volume and trend of strike activity in Australia, Canada, Great Britain, Sweden, and the United States, with a view to throwing light on such questions as the frequency, length, and severity of strikes. The results of this research show that union members in the United States have been more prone to strike than in any of the other four countries.

**CONTRIBUTION OF TWO GROUP DISCUSSION TECHNIQUES TO A VALIDATED TEST BATTERY.** By A. G. Arbous and Joy Maree. *Occupational Psychology* (National Institute of Industrial Psychology, 14 Welbeck Street, London, W. 1), April, 1951. This study reports on the validation of social interaction tests of

the group discussion type, in one particular research project, and analyzes the methods of scoring and assessing these tests. It concludes that, despite acknowledged difficulties and needed improvements, the validity of two social interaction tests against a criterion of "success" on the job has been established; that a satisfactory method of scoring the group tests has been arrived at; and that these tests make a unique contribution to an aptitude test battery for the selection of administrative personnel.

**IN-PLANT FEEDING.** By Richard C. Scott. *Textile World* (330 West 42 Street, New York 18, N. Y.), August, 1951. The increasing use of in-plant feeding facilities in textile mills indicates that the intangible benefits obtained may more than compensate in the long run for the dollar outlay. A total of 34,575 employees, out of the 54,342 listed by textile mills in the survey described in this article, were indicated as patronizers of company restaurants, cafeterias, canteens, mobile food wagons, and vending machines—the most popular methods of in-plant feeding.

**POSTWAR WAGE DETERMINATION IN THE BASIC STEEL INDUSTRY.** By Albert Rees. *The American Economic Review* (University of California, 405 Hilgard Avenue, Los Angeles 24, Calif.), June, 1951. In this article, the author considers the economic factors and the institutional factors affecting wage determination, with particular reference to the steel industry in the period from 1939 to 1950. He reaches the conclusion that collective bargaining did not significantly raise wage levels and that the primary responsibility for increased wages lies with Congress and other agencies which control monetary and fiscal policy.

**ORGANIZED LABOR AND RACIAL MINORITIES.** By Lloyd H. Bailer. *The Annals of the American Academy of Political and Social Science* (3817 Spruce Street, Philadelphia 4, Penna.), March, 1951. Since racial discrimination by organized labor has been directed primarily against the Negro work force, the author directs his discussion to relations between Negro workers and the union movement. Mr. Bailer believes that the progress made in the past few years has been possible in part because the high level of employment has reduced the white worker's fear of competition from his darker colleague. Continued full employment during peace, as well as war, is a necessary climate for further gains in this field, he concludes.

### WASTE PREVENTION: CASE STUDY FROM BRITAIN

**W**ASTE PREVENTION, while of special importance under emergency production conditions, is an integral part of business efficiency and, given its proper emphasis, is a prosperous pursuit. Such has been the experience of the Dunlop Rubber Company, Ltd., of Britain, whose program for improved utilization of production manpower and materials has enabled it to reduce waste by 50 per cent in the past five years. The program operates under the direct supervision of the General Works Manager, who sums up its main features as follows:

"I have put my waste into three categories. Firstly, waste materials, secondly, waste effort, and thirdly waste time. We have tackled waste materials by the introduction of a material control department . . . Waste effort brings the equipment engineers into the picture. It often occurs because you have not had the opportunity or taken the trouble to provide the proper plant . . . Waste time I allocate to everybody as their own particular responsibility."

The material economy department, primarily designed to establish tolerances in regard to all components, is in charge of a senior official directly responsible to the General Works Manager. Its personnel spend their time taking spot checks of the product at various stages of manufacture and testing a sample to see that it is within the tolerances allowed. Any deviation is immediately taken up with the foreman of the department. In addition, any foreman or departmental manager who feels that his scrap is soaring in spite of his efforts can ask for the help of a technician from the material economy department,

who studies the job over a period, perhaps of days or even weeks, and then makes his recommendations to the man who called him in.

In addition to the personnel of the material economy section, there is a group of men, mostly older foremen who can call on a vast fund of experience, who see what the operators put out or tear off as scrap and take up questions with the foremen on the job in order to get proper control.

Waste effort is avoided through the activities of the engineering department, which is divided into four sections. The first is concerned purely with minor details, such as the adjustment of machines and the provision of gadgets to assist operators in using them. The second tackles work on an intermediary scale, and the third devotes its attention to large-scale capital equipment within the existing methods of production. The fourth is a research and development section which explores possibilities in new machines and processes that may take years to develop. The activities of all these departments have over the years produced a mass of statistical data which, taken together with the normal figures of production, consumption of raw material, and labor costs, can and do give the management a very clear idea of just what can be achieved in reducing losses in any particular aspect.

Thus, toward the end of every year, the General Works Manager gets his departmental managers together and, on the basis of past experience, hammers out with them targets to be achieved over the next year in each department. Departmental

targets are then broken down section by section. These targets remain unchanged throughout the year, no matter what happens, and form the basis of a series of charts which are prepared and maintained by the planning department. A separate chart covers each aspect of material saving and shows what percentage of the agreed target of saving is achieved as the year progresses.

The control charts—there are some 60 or 70 of them—fall into three series. The first shows, in terms of units produced, the production of the whole plant and of each of the eight departments as compared with scheduled output. The second series covers all engineering services—coal, electricity, steam, and air—and charts the consumption of these per pound of product produced in each department. The third series of charts—perhaps the most important—covers the performance of the plant as a whole and of each of the eight departments.

Targets for manufacturing time and production costs are calculated by bringing everything down to a standard 100 minutes of work. Costs are split up into equivalent units, such as direct and indirect labor, power, steam, water, and maintenance. All figures are approved by the time study and costs department before going on the chart. Other charts show the number of suggestions received,

accidents by frequency and severity, and absenteeism.

As soon as the charts are made up for the month, a meeting is held with the production superintendent and the departmental managers, and the charts are gone through rapidly until one reveals some difficulty that is being encountered. This is then discussed fully before further charts are inspected. The charts act almost as an agenda to the meeting.

Once a month, the production superintendent calls a meeting of all foremen (in groups of 50 or 60) and goes through the charts, using them both as a text on which to elaborate anything that he wishes to get over to the foremen and as an illustration of his thesis. The foremen, too, may and do raise any point arising out of the charts.

The results achieved over the past five years by this system speak for themselves.

The targets for planned improvement have been steadily achieved year after year, with the elimination of some 50 per cent of waste. But in 1950, the target for improvement of manufacturing time for both direct and indirect labor was exceeded by 10 per cent, while the total target for all improvements was exceeded by 12 per cent. In one year alone, about £10,000 was saved in stores, stationery, and other expensive materials, simply by watching things and by having a target for improvement.

—BRIAN CUMMINGS. *Business* (180 Fleet Street, London, E.C.4), June, 1951, p. 41:5.

#### AMA FALL PRODUCTION CONFERENCE

*The Fall Production Conference of the American Management Association will be held on Thursday and Friday, November 8-9, at the Palmer House, Chicago.*

## ESTABLISHING AN EYE SAFETY PROGRAM

**E**YE INJURIES in American industry result in an estimated loss of more than 50,000,000 man-hours annually. And in 1941, eye injuries cost \$20,000,000 a year in direct compensation costs, with indirect costs amounting to perhaps four times that amount. Since then industrial eye accident costs have gone up—as much as 78.5 per cent.

No one questions the need for industrial eye protection programs, but sometimes it is difficult to focus the need in a plant and then put into practice a program designed to prevent as many injuries as possible. The following suggestions sum up workable methods in use which a safety director may find helpful in gauging his own operations:

1. *Determining the Need.* The National Society for the Prevention of Blindness has prepared a "Manual and Appraisal Form on Conservation and Utilization of Eyesight in Industry." This guide, distributed as the Society's Publication 402, will help in making a self-appraisal of the need for an eye safety program. The form will quickly show any deficiencies in the program.

In determining the need for the program, every job in the plant should be studied. By finding actual cause of eye injury on some operations and discovering potential eye hazards in other types of work, the safety director can determine the types of protection that should be provided.

2. *Selling Management on the Program.* It has been found that management usually wants to know three things: (1) Why do we need the program? (2) How much will it cost? and (3) Can we make it work?

Accident statistics and compensation costs speak louder than words. Such statistics tell us that the average cost of an eye accident is \$328 per injury for com-

pensation and medical care. Your own plant figures will be more meaningful and more accurate than these average figures, and you may be surprised at the amount of money spent in eye accident costs, compared with the estimated cost of putting the safety program into practice.

The cost of an accident is incomplete without some estimate of intangibles. Cost factors to be considered should also include such items as lost-time for employees who assist the injured man, time spent by others in straightening out the problems of an accident, e.g., filling out accident forms, reduced production due to incapacity of injured man, and cost of time spent in training a new employee.

After showing management the dollars and cents value of establishing an adequate safety program, an outline of a definite plan to make it work should strengthen its acceptance.

3. *Making the Program Work.* Those plants which put the responsibility where it belongs—on the worker—find that this method usually works if proper attention is given to it and top management stands back of it.

In addition to the safety director, the key man in the operation of the program is the shop foreman. If the safety director sells the first-line supervisor, a big part of the problem is solved. He is the one who usually sees that the men are: (1) equipped with the proper protective devices; (2) instructed in their proper use; (3) familiar with the safety rules; (4) reminded of rule infractions.

Safety awards are used in some plants as incentives to careful operations.

In addition, a company must keep workers reminded of safety practices and build safety habits through various forms of promotion, such as leaflets, bulletin

board posters, films, etc. If through such devices, workmen can be made to realize what eye accidents cost them in lowered earning capacity, they will be more careful.

The language of dollars and cents is pretty strong language and usually makes an impression. Few workmen realize, for example, that the maximum compensation for total loss of vision in one eye is less than \$2,000 in most states, and as low as \$1,000 in some. Maximum compensation for the loss of both eyes in most states is \$6,000. Because of reduced earning capacity, a workman loses that much in salary within two or three years after the accident. In steadily decreasing pay for the rest of his life, a workman risks a

33-1/3 per cent cut in salary for the rest of his life every time he risks an eye injury.

A more drastic action used in some plants to make the safety program work is a clear-cut rule to the effect that safety equipment must be worn as a condition of working in the plant. No use of safety equipment—no job. The employee who doesn't wear his equipment is warned by his superior, or told about his negligence by his fellow workers. If he constantly refuses to listen, he is penalized, either by a pay deduction or by the withholding of some other benefit. If union rules do not interfere, he may be fired. In some plants, mandatory use of safety equipment is written into the union contract.

—STANLEY C. HERBINE. *National Safety News*, July, 1951, p. 28:7.

## NOTE TO PURCHASING AGENTS: DON'T FORGET THE PACKAGE

IT IS WELL-KNOWN that a purchasing agent can write any commonsense specification into a purchase order and expect to see it fulfilled. It is surprising, therefore, to see how many agents overlook packaging—particularly today, when it becomes of greater concern as we go deeper into armament production. Though it's true that you can return damaged products, you must remember that you still won't have the goods when needed, with the resultant increase in your operating costs. Start today to reduce damage of your purchases. Here's how:

1. Add a line or two to your purchase requisition form, labelling it "Instructions for Packaging." Contact all department heads about the new data required on requisitions. Explain its purpose—i.e., to reduce damage. Show them how money, time, and tempers are saved by proper packaging instructions.

2. Set up a packaging file for each product. In this file, list the preferred

packaging method and other suitable ones for each product. Use these as a guide when materials are ordered.

3. To your purchase-order form add a line for packaging instructions. Locate this below the "Ship Via" line, if possible. If not, put it somewhere else, but be sure it is conspicuous. Check each purchase order to see that the "Packaging Recommended" has been completely and correctly filled out. Whenever in doubt about any instruction, check with your packaging file. All data needed should be there.

4. Add enough lines to your materials-receipt form for listing of: (1) package condition—i.e., good, fair, poor, severely damaged; (2) materials condition—good, fair, poor, severely damaged; (3) whether damage appears to have come from within or outside the package; (4) type of package used. Insist that these data be supplied on all materials-receipt forms. When damaged materials

are received, you have a good record to check and can inform the vendor exactly why you are returning his goods. Here's how it works:

A shipment of glass products arrives by rail. The receipt form shows the package (a wire-bound box) was in fair condition, one corner having been damaged by being pushed in. Inspection finds 60 per cent of the units in the box broken. Now, first check with your carbon copy of the purchase order. You find that a wire-bound box was recommended. Study the materials receipt. It shows that one corner of the box was pushed in. Apparently damage was from the outside. Check to see if the box was dropped during unloading at your plant. If not, inform the vendor. Ask for his breakage or damage rate. If it runs close to your

60 per cent, he had better switch boxes or provide more protection for his present type. Finally, go to your packaging file and note the results of your study in it. Use these data as a guide when setting up packaging recommendations for new purchases. Whenever damage rates exceed 2 per cent, a study of the problem is needed.

Remember, the vendor isn't the only one who can prevent damage to purchases. Check materials unloading and handling in your own firm. You may have trouble there. Also check with the carrier. His handling methods may be a little on the rough side. Don't neglect anyone; damage occurs in all sorts of places under many different conditions. It can never be entirely prevented, but it can be markedly reduced.

—L. J. MURPHY. *Purchasing*, May, 1951, p. 90:3.

### **Slower Machine—Higher Output?**

IN SOME CASES—yes. For instance, Page Otero, of U. S. Electrical Motors, Inc., Los Angeles, says: "A machine operating at slower speed than normal might produce more output if its rate of speed synchronizes with the rhythm or ability of its operator. . . ."

It's generally assumed that workers reach two efficiency peaks during an eight-hour day—one in the morning, one in the afternoon. Prior to the peaks, there is less productivity since the worker is "getting into his job." Afterward he's beset by fatigue.

The theory is that the machine speed should conform to this cycle, or spoiled work and accidents are liable to occur.

Otero cites conveyor inspection as an illustration. In citrus-packing houses, girls select fruit from a moving conveyor according to size. Statistics show that variations in the speed of the conveyor made at periodic intervals during the working day keep efficiency of selection at a high steady rate.

Variable-speed operation can increase production as much as 30 per cent by:

1. Enabling one machine to process different sizes, shapes, materials.
2. Compensating for changes in viscosity, temperature, humidity, quantity of material processed.
3. Maintaining constant liquid level, pressure, flow.
4. Altering rate of feed of material to cutters, grinders, crushers—depending on thickness, hardness.
5. Reducing setup time when changing machines for various sizes, or matching speeds of machines which must run together.
6. Obtaining correct flow of air or gas from blowers, air-conditioning fans, burners.
7. Correcting troubles such as vibration, poor finish, overheating owing to wrong speed.

—*Modern Industry* 7/15/51

## AVOIDING ERRORS IN GOVERNMENT CONTRACT WORK

**D**URING THE LAST WAR, government contractors often overlooked requirements which seemed minor but which later caused trouble. Old hands as well as newcomers to government business can avoid many headaches by checking three main points before accepting government work today:

First, check inspection costs by asking yourself these questions:

*If inspection is to take place at your plant, will special facilities be needed for government inspectors?* In working up cost figures before quoting a price, be sure to determine the following: Will present layout have to be changed to provide working room for government inspectors? Will new testing equipment be required because the product is different from your civilian line? Do you have to replace worn-out gages or other inspection equipment?

*What is the probable rate of rejects on government work?* Cost of rejected materials on completed items is completely borne by the contractor. Rework—though permissible—is expensive. Also, the government isn't sympathetic about delays in delivery due to rejections. If your rate is too high, you may be cut off from further government business. Bear in mind, too, that government standards will often be tougher than you'd normally face.

*Would inspection at your plant be more advantageous than at destination?* If you're supplying an item to stricter specifications than usual, request inspection on your premises. When inspection is at destination, several weeks may elapse before you're informed that material didn't pass. Meantime, you may have run off many more substandard items. Famili-

arity with *General Specifications for Inspection of Material*, a copy of which can be obtained at any local procurement office, will give you the basis for accurate and detailed planning for inspection compliance.

Second, check government specifications by noting the following: (1) specification numbers; (2) whether the contract calls for special marking, tagging, or labeling; (3) whether special packaging is required.

Get detailed packaging and preservation data in all cases. Extended overseas military operations will require special packaging. The government will specify corrosion, rust, moisture-proof packaging materials, and new container design. This puts a high premium on complete knowledge of actual requirements before you sign a contract. If the spec differs from the one you quoted on, you'll be entitled to raise your price before signing. But once you've signed, you're stuck with the full cost.

Finally, invoicing must be considered. The government is not a rapid payer. If you make mistakes in invoicing, you add months to an already lengthy wait. It will pay to get the hang of the procedures at the start. Read invoicing instructions carefully. They will state what documents are required and where to send them.

If you're operating under long-term contracts, watch expiration dates on congressional appropriations. If they expire before you've received final payment, your invoices go to the General Accounting Office, and you're in for a long wait. Best precaution is to put a tickler on the expiration date with a note to call the Contracting Officer well in advance.

—*Operations Report* (Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y.), July 3, 1951.

## Vision Testing Cuts Costs

STRESSING the importance of vision testing in job placement, the National Society for the Prevention of Blindness points out that the current defense program again hands U. S. executives the problem of fitting new workers into jobs these men and women are best prepared to handle.

"As an example of what poor vision testing practices can cause," says Dr. Franklin M. Foote, executive director of the Society, "there is the experience of the Sperry Corporation early in the last war.

"A group of girls were hired to work at a job calibrating instruments. Their performance, for the most part, was sub-standard. Vision tests found that many of these girls could not see well at near distances. They were transferred to other jobs and replaced by girls with good near vision. The standard of the work increased immediately."

Vision testing of employees pays a financial return to management. "A Chicago printing plant," Dr. Foote points out, "has saved an estimated \$6,000 a month in one department of 336 employees by correcting the vision of men who were found to have poor vision."

However, eye care in industry shouldn't stop with vision testing. "Adequate safeguards against eye accidents are also important to both worker and boss," adds Dr. Foote. "During the last year alone, an estimated 300,000 eye accidents occurred in our industrial plants, costing upwards of \$200,000,000 in compensation payments, medical bills, and lost production."

## Checklist for Safety Inspection

TO IMPROVE THE EFFECTIVENESS of safety inspections, here is a list, drawn up by the Owens-Illinois Glass Company, of things to look for when making such an inspection:

1. Do men operate machinery, or use tools, appliances, or other equipment without authority?
2. Are they working or operating at unsafe speeds?
3. Have guards been removed, or have guards or other safety devices been rendered ineffective?
4. Do men use defective tools or equipment, use tools or equipment in unsafe ways, or use hands or body instead of tools?
5. Do they overload, crowd, arrange, or handle objects or materials unsafely?
6. Do men stand or work under suspended loads, open hatches, shafts, or scaffolds; or ride loads; or get on or off equipment or vehicles in motion; or walk on railroad tracks; or cross car tracks or vehicular thoroughfares except at crossings?
7. Do they repair or adjust equipment in motion, under pressure, electrically charged, or containing dangerous substances?
8. Does anyone distract the attention of, or startle, other workers?
9. Is there any failure to use safety devices or protective clothing?
10. Are there any other unsafe acts being performed?

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COOLING OFF: Output from metalworking automatic machines is being increased 25 to 50 per cent by installation of new refrigeration equipment for cooling cutting oils in tool operations. Developed partly as a result of tests completed during the last war, the new refrigerating devices enable machine operators to hold a predetermined temperature on cutting tool tasks over long periods of time.

—Industrial Distribution 5/51

## "Itabwodi"—Key to Efficiency

AT CATERPILLAR TRACTOR COMPANY, the question, "Is there a better way of doing it?" has become a byword—crystallized in the coined abbreviation "Itabwodi."

Sometimes tradition and the passing years bring about a sameness of practice and procedure, of habit and thinking, that is not always conducive to the best efficiency and economy under changing conditions. "Itabwodi" is directed to all Caterpillar people working in their own individual spheres of influence. It is designed to stimulate mental alertness on the assembly line, at the lathe, or at the desk. The beginning of progress is in the head—before it reaches the hands or the machines.

It isn't, however, enough just to have a slogan. When the answer is "yes," there must be effective means of doing something about it—and fast. That is where management may well ask of itself: "Is there a better way of doing it?"

The test of good management is not only its ability to direct and give leadership to men, blending their efforts with materials, machines, and financial resources, but also its ability to manage ideas.

—LOUIS B. NEUMILLER in *Production Engineering and Management* 2/51

## Also Recommended . . .

**PLANT PROTECTION.** By Charles Emerson. *American Machinist* (330 West 42 Street, New York 18, N. Y.), July 23, 1951. This special report on industrial security is not a cure-all; it is an attempt to give good answers to some of the difficult problems in protecting metalworking property. The author gives practical suggestions on security factors such as: guards, lights, fences, signal systems, and communications.

**IMPROVED WORK METHODS.** By J. M. Benson. *Supervision* (95 Madison Avenue, New York 16, N. Y.), July, 1951. The methods improvement program described here is based on a 10-session course under the direction of the Methods Improvement Department and on the use of a Methods Committee to consider proposed changes. The company also utilizes its suggestion system as a source of new methods ideas and issues a regular "method report" on the program's progress.

**MANAGEMENT INTEREST IN ACCIDENT PREVENTION.** *Monthly Labor Review* (U. S. Government Printing Office, Washington 25, D. C.), June, 1951. Safety consciousness by management is the most potent factor in accident prevention, according to a study by Stanley M. Walker of accident rates in 62 companies engaged in mining, quarrying, and cement manufacturing. Mr. Walker has constructed a master chart for the tabulation of data pertinent to safety consciousness which should be of value in accident-prevention work at other companies.

**SUPREME COURT FOR SCARCE MATERIALS.** By Mitchell Gordon. *Commerce Magazine* (1 North LaSalle Street, Chicago 2, Ill.), August, 1951. This article describes the functions of the three-man tribunal, operating under the National Production Authority, which was set up last April to hear the appeals of business men who believe they have been unfairly squeezed on material restriction orders by NPA's lower operating divisions. Several cases are cited in which a plea to this board was well worth the time and effort involved.

**FORECAST: THE OUTLOOK FOR PACKAGING MATERIALS.** By Osker C. Reynolds. *Good Packaging 1951 Yearbook*. (210 Mississippi Street, San Francisco 10, Calif.) This summary, by an official of the Containers and Packaging, Division of the National Production Authority, indicates that the pinch in container supplies will become tighter toward the end of 1951. The author predicts, however, that expanded output of some packaging materials will in some degree ease the strain.

**QUALITY WORKMANSHIP TODAY: IS IT POSSIBLE?** By Wade E. Shurtleff. *Personnel Journal* (Mt. Royal and Guilford Avenues, Baltimore 2, Md.), June, 1951. There is a close relationship between job security and quality production; management can stimulate job pride by identifying the employee directly with the product. It is not always easy to do this, however. How two companies dramatize to their employees the importance of quality in their work is reported in this article.

## Marketing Management

### WHEN IS COMPETITION COMPETITION?

#### — AN F. T. C. COMMISSIONER'S PERSONAL VIEWS

**T**HE MANNER OF distribution pricing has been placed by Congress under the almost complete domination of the Federal Trade Commission. As a result, how to sell no longer rests on the individual judgment of private citizens. This strikes at the heart of sales liberty and should be the concern of all men, but especially of those who must maintain free enterprise if they would live.

I would like to organize a country where we would enforce the law against every one. Then we could see dramatically just how crazy are some of the theories that are floating around Washington today.

I propose to call this country Nosalezonia. The following would be some rules for this new territory, which are all adapted from principles now being urged upon the Federal Trade Commission:

1. All quantity discounts are out. We would then not need to bother about banning quantity discounts based on annual sales. Since this method of stimulating sales is illegal as far as the Federal Trade Commission is concerned, we won't have it in Nosalezonia either.

2. Sales to those customers who now use your product in the assembly of a finished product and who are in a position to make your product themselves will be excluded from your market because you will not be allowed to meet their "making price."

3. In Nosalezonia we shall prohibit the freedom of manufacturers to encourage aggressive selling through extra rewards for extra effort. We'll outlaw all trade discounts based on compensation for special functions performed by distributors. Every

price must be based on cost justification.

4. We shall outlaw the right of a producer to place his own valuation on the relative sales potentiality of his distributors. Such factors as financial stability, character and standing in the business community, coverage of territory, size of inventory, working capital, and service promptness may be important considerations to the average American business man who is seeking a competent outlet for his product. Though these may be attributes he is willing to pay for, his freedom to use his own judgment as to the relative value of his distribution forces will not do in Nosalezonia any more than it does in the United States.

5. All merchandise must be sold on identical profit margins. The Nosalezonia Anti-Price Discrimination Act operates on the theory that it's unfair to make more money on one customer than you make on another.

In Nosalezonia we will make sure that Adam Smith's principle of indifference is religiously observed by not allowing producers to know the names or faces of their distributors. Everything will be done by lot so that a producer won't be tempted to reward the respective capabilities of those who vend his wares.

To prevent aggressive marketing in Nosalezonia, we shall offer a bonus, not an incentive bonus but a deceptive bonus. Instead of having market research departments, we will have market unsearch departments. Promotion will be out and demotion in.

I believe that unprejudiced students of economics and government in and out

of the Federal Trade Commission are seriously concerned about what will happen to our country's distributive system if these Nosalezonia crackpot notions are completely enforced here. Even in Washington, their most rabid advocates wince at any attempt to apply to our whole economy the edicts that some members of the Federal Trade Commission say are required under the present Clayton Act. They hide behind the ambiguities in the law which say we only have to apply the law when competition may be injured. In view of the fact that the courts have said any price difference is a valid basis for a finding of the Federal Trade Commission

that competition may be injured, one can readily see that the legality or illegality of our price structure rests not on law but on the whim of bureaucracy.

If our economy is to grow progressively and dynamically, our system of distribution needs the right to branch out new feelers and capillaries toward the ultimate consumer. New variations in the reach for markets are necessary to test fresh avenues of distribution. Without the freedom to vary from established channels, American salesmen who are today the arteries of a vital commerce will become the varicose veins of a moribund business structure.

—From an address by LOWELL B. MASON (Federal Trade Commissioner) before the National Sales Executives Convention.

### **Improvement Needed in Retail Sales Efficiency, Survey Shows**

THE EFFICIENCY of retail salespeople at the end of '50 was about 30 per cent under the acceptable norm, according to a nation-wide survey made by Willmark Service System, Inc. Merchandise shortages, higher prices, and the general unrest brought about by defense preparations have shortened tempers on both sides of the counter.

Retailers and manufacturers interested in helping retail salesmen present their product more intelligently can do the following:

1. Give more concrete help to salespeople in developing creative techniques. You can encourage a creative attitude in your salespeople by giving them facts on the buying process as well as training in general sales routines.
2. Emphasize the importance of suggestive selling by (a) stressing the fact that related item selling is the best chance for a salesperson to make his book; (b) making a special effort to show related products in departmental displays; (c) encouraging salespeople to accompany customers to other departments and to help in the selection of related items; (d) keeping all personnel informed of sales and promotions throughout the store, using daily bulletins or sales meetings.
3. Take steps now to prevent the don't-you-know-there's-a-war-on attitude of World War II days. In hiring, pay more attention to personality. Selling experience can be developed, but you can't do much to improve personality traits and dispositions. Pound away at the need for courtesy—often, rudeness at the clerk's level reflects the indifference of management.
4. Help salespeople anticipate new sales problems and give them concrete solutions. For example, they'll need facts about new plastics and synthetics to promote this merchandise on its own positive merits rather than as "ersatz."
5. Survey store operations to see where non-selling time may be cut. Check the following: (a) How much time do clerks spend in seeing if goods are in stock? (b) Are salespeople required to make reports that could be eliminated, simplified, or handled by a non-selling employee? (c) Are fixtures arranged so that merchandise can be brought out, shown to the customer, and replaced with a minimum of time and effort? (d) How about self-service which can release clerks for merchandise which requires real sales effort?

—*Distribution Report* (Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y.) Vol. 8, No. 4.

## HOW ENGINEERING KNOW-HOW CAN IMPROVE DISTRIBUTION

**F**OR YEARS we have been trying to find ways of doing the distribution job more efficiently. Now, during a period of mobilization, we must also do it with fewer people. How shall we tackle the job?

First, look at distribution as one big job. We think of mass production as one job. It's high time we began to think the same way about distribution. Second, remember that distribution has changed because mass production has forced it to. The result is that distribution is far more complex than it used to be. It is also far more expensive. Third, put engineering to work on distribution. Manufacturers turned to engineering long ago. Now, instead of making things one at a time, they turn them out in carload lots—by mass production. If we can do the same in distribution, we'll bring in a new era.

In a national emergency, marketing slows down while manufacturing picks up speed.

In such a situation, George Washington's phrase turned around might make a good slogan for marketing executives. In time of war, prepare for peace. Forward-looking companies will use such periods as this to tighten up their marketing systems—build solid cores of men who know their jobs and can serve as leaders when it's time to do a real selling job again.

For example, this is a good time to study sales productivity. One way to do it is to put a stop watch on salesmen. Find out, to the minute, how much of each day's effort is productive and how much is not. One such study recently led to a 38 per cent cut in marketing costs and a 15 per cent rise in the number of new accounts.

Second, we can find out why distribution costs so much and then decide which of the reasons are open to attack.

Though there are costs that are inherent in the economy about which nothing

much can be done, there is a big area which can be worked on—the physical part of distribution, which includes warehousing, handling, storage, packaging, delivery and routing, direct selling, transportation, credit, collections, financing, advertising, and all the other mechanical operations. The physical side of distribution is so big and so closely tied in with the non-physical that the problems have been hard to identify and harder still to solve. At Shell, we're trying to separate the intangible elements from the physical elements and to improve the physical operations as far along the line toward the customer as the free enterprise system and the operations of our industry will permit.

As a result, about two years ago we set up a Distribution Study Committee. Members were: the Chief of the Marketing Research and Analytical Department, the Superintendent of Marketing Operations, a representative of the Sales Department, and the Distribution Engineer. Our goal was to get full information on all distribution expenses—how much it cost to receive a unit of product at a bulk depot, to warehouse it, get it out of the warehouse, and move it to the customer. We selected a typical marketing territory—Ohio. The following is an account of one portion of our study—that concerning bulk depots:

We began the depot cost study by breaking down all the depot operations into five main categories. Then we set up a job analysis form for each man in each category. The first group included supervisors and assistants. For them we prepared time study sheets that showed: (1) time spent on administrative and office work, (2) time spent in connection with truck operations, and (3) time spent with plant and warehouse operations. The second group included the clerical force. Their time sheets showed the exact amount

of time each man spent on each form used in handling each product. The third category included yard and warehouse personnel—the men who work on loading racks, the maintenance men, and the warehouse personnel. In the fourth category were truck drivers. Here, the forms had two main divisions. The first covered the different types of trucks; the second covered the time spent in moving each product.

In addition to the employee time study, the distribution committee also checked on paper work done in the depots. This survey consisted of making a step-by-step analysis of all the forms used in handling all products.

The third main phase of the study included a broad survey of the bulk plant itself. This covered all kinds of costs that the employee time studies and paper work analyses did not touch—such things as telephone bills, taxes, water, gas, electricity, garbage and trash disposal. Every cost over one cent went into the record. Then we assigned a percentage of the cost of each plant to the volume of products the plant handled.

What kind of cost picture did we get from the study? Among the findings were the following: (1) In all ten depots, it appeared that oil could be drummed cheaper at the depot than at a distant refinery. (2) The most efficient way to deliver packaged goods is in a stake truck

designed for packaged goods. (3) Too much paper work was being done—some forms could be consolidated, others dropped. (4) The smaller the package, the higher the distribution cost.

The study was so successful that Shell has decided to extend it to other areas. How will the program be mapped out?

To keep tabs on changing conditions, we shall make periodic checks within the framework of the first study. Our method of measuring costs is comprehensive but flexible. From now on, we can run spot checks every so often at various plants to be sure they are using their manpower and their equipment efficiently. If the results are all right, the spot check is all we need. If the check shows that a weak spot appeared, we can run a more detailed test to get the facts we need to straighten things out.

There is still much to do before we can say that our distribution system matches the efficiency of mass production. But we're going at the job, engineer-fashion, to see if we can't move manufacturing efficiency farther down the line toward the consumer. This will require a fine blend of engineering stability with economic variability. When we get it, we'll be on the road to scientific distribution—more efficiency for industry and better service for the public whose needs keep industry alive.

—STOKES TOMLIN (Distribution Engineer, Shell Oil Co.) in *Distribution and Marketing in a Mobilization Period*. Published by the Research Division, California Personnel Management Association, Farm Credit Bldg., 2180 Milvia Street, Berkeley 4, Calif. 1951. 10 pages, \$1.00.

## MEASURING DEALER AND CONSUMER INVENTORIES: A SURVEY

**R**OUGH ESTIMATES of dealer and consumer inventory levels are proving inadequate in meeting industry's current operating needs, according to the Conference Board. As a result, the Board

points out in a recent survey report, some firms are developing more refined techniques for measuring the inventories of company and competing products in the hands of wholesalers, retailers, and con-

sumers. As yet relatively few companies have used these new techniques for an appreciable length of time. However, those who are carefully measuring "pipeline" inventories report enthusiastic reception and wide use of the data by both top management and operating executives.

Current methods of measuring inventory levels used by cooperating companies "vary widely in their approach" and reported effectiveness.

The majority of companies do not actually measure inventory levels, but rather deduce them from such data as incoming orders, industry shipments to dealers, and salesmen's reports of over-all conditions in the field. Estimates of this type are usually crude and unreliable.

Many companies rely on salesmen's periodic estimates of inventory levels. Critics of this method, however, point out that salesmen may not notice minor inventory changes and, furthermore, their reports are likely to reflect personal optimism or pessimism rather than fact.

To overcome the disadvantages of deduction and salesmen's reports, many companies periodically audit the inventories in all wholesaler or retailer outlets. While this method may involve extensive expenditures of time and money, these companies feel that it is the only safe measurement.

When large numbers of accounts are involved, sample surveys are often used to speed up data collection and reduce costs. There is some evidence that a well-designed sample survey is just as accurate as a complete audit and, on occasion, even more so.

When consumption of a product can be measured with equal or greater accuracy than inventories, variations between shipments and consumption are sometimes used to measure inventory changes in the "pipelines." While a few companies have well-established techniques based on this approach, it is, by and large, still in the experimental stage.

The methods usually employed to gather inventory facts are: through the company itself, through independent agencies, and through trade associations. Each method, cooperating manufacturers report, "has its limitations and drawbacks."

Companies surveyed by the Board cited the following as some of the more important uses they have found for good dealer and customer inventory data: coordinating production and sales plans; minimizing company inventories; stabilizing production and employment; scheduling shipments; locating sales weaknesses; determining consumer acceptance of new items quickly; and estimating future sales and price levels.

### **How Much Do Ad Managers Get Paid?**

TO DETERMINE trends in salaries paid to advertising executives, *Printers' Ink* recently surveyed 181 advertising managers. Their salaries as reported range from a high of \$31,000 to a low of \$3,780. The median is \$10,000, as contrasted with a 1947 median of \$8,000 (for 100 salaries reported in that year). Salaries reported in 1945 ranged from \$3,500 to \$18,000, with a median of \$7,500.

As might be expected, the higher the advertising appropriation, the higher the salary, generally speaking. But there are notable exceptions. Among the possible explanations for these, two may be mentioned. One, obviously, concerns the duties and responsibilities involved. The other is that a man may be underpaid because top management does not appreciate the importance of advertising and does not recognize the knowledge and talent required of a competent advertising manager.

—DALE HOUGHTON in *Printers' Ink* 7/6/51

## THE SERVICE EMPHASIS TAKES OVER IN MODERN SELLING

DONALD A. LAIRD\*

**S**ELLING USED to be described as the trick of separating a customer from his money as painlessly as possible. This description was not humorous, unfortunately, for that was often the salesperson's attitude.

As modern salesmanship evolved, the emphasis changed from taking in money to taking care of the customer. The modern salesman now acts as a benefactor to the customer. He guides the prospect through the maze of products to select the one best suited to his particular needs. This is no simple task, since there are more than 18,000 individual products advertised in magazines alone, according to the Magazine Advertising Bureau, Inc. That is a lot of competition for the customer's dollar.

As a result, today's salesman has been trained to be (1) sales-minded; (2) customer-centered; and (3) service-conscious.

The training manual of Woodward & Lothrop's famous store in Washington, D. C., advises salespeople:

It is the duty of every store member to maintain and further the confidence customers have in Woodward & Lothrop's merchandise and service. Customer goodwill is one of the most valuable and cherished assets of this organization. Its development and maintenance must be a never-ending endeavor on the part of every one, from top management down to the newest store member.

And in Chicago, new salespeople of Carson Pirie Scott & Co. are told at the outset of their training course in "Standards of Salesmanship":

Serve when you sell. "Put yourself in your customer's place and give the service that you would expect" . . . is the most

important rule of superior salesmanship. Without this sincere desire to serve, no amount of "high pressure skill" can give you more than temporary success. It sounds simple; it's a little harder to put into constant practice, but the sales that result from service-selling will repay you. Find out each customer's desire and satisfy that desire. Selling a woman two-thread hose when you know she expects to wear them to work is a sale only for a day . . . selling her a three- or four-thread with an explanation of their better wear is a long-term sale. Always advise a customer for her own best interests . . . that's service-selling . . . that's Carson's selling.

We are so accustomed to receiving service-selling from the more successful firms that we are seldom aware of how recent this service is or that firms intentionally develop it in their sales forces. But business has discovered that the best way to outsell competition is to outserve it, and employees are carefully trained and re-trained to be service-conscious. Here is a quotation illustrating this, from the sales manual of the U. S. Rubber Co.:

Have you ever wondered why tire distributors offer customers so many services? . . . Why they invest in equipment for wheel alignment, recapping, lubrication? Wouldn't it be a lot easier just to sell tires and tubes and let the customers go somewhere else for their service? The salesman could sit in a nice clean office, wait for customers to come in, and then sell them their products without ever touching an auto or getting his hands dirty.

That's the way the tire business was conducted 25 years ago. Most tires were sold over the counter. The motorist bought the tire, slung it over his shoulder, carried it home, mounted it himself or had it mounted at the local gas station. That was a nice way to do business—just a few products to sell, and every sale made quickly.

Then, some smart dealers started offering to mount and service the tires. In a short time, they had most of the business, and the other tire dealers were twiddling their thumbs—waiting for customers to come to their store. But the customers

\* Dr. Laird's latest book, *Sizing Up People*, will be published by McGraw-Hill Book Company in early September.

didn't come. So they lowered their prices—and still customers didn't come. Then they began to advertise—still the customers stayed away in droves.

Eventually it dawned on some of the brighter ones that maybe this 'new-fangled' idea of doing more than just selling tires wasn't such a bad idea. Next thing you knew, nearly all tire dealers were mounting and servicing tires for their customers. If they didn't, their trade dwindled.

This new service emphasis is reflected in the changed titles which have become adopted for many kinds of selling. An insurance salesman often calls himself an "estate consultant;" an oil salesman is now a "lubrication engineer;" a conveyor salesman has become a "materials handling consultant;" and a real estate salesman is a "broker in homes." Note in Woodward & Lothrop's quotation that they do not speak of retail salespeople. They are "store members." The great Selfridge store, on Oxford St. in London, does not have a salesperson among its 5,000 employees; it has Staff Assistants, who assist customers. And most gasoline companies no longer speak of filling stations. The

filling station has grown in sales calibre and become a service station.

The old-time high pressure salesman made his sales effort too obvious. Today's salesmaker makes his helpfulness obvious, which, by the way, cannot be too obvious. "I should like to serve you" is one of the most effective phrases yet found for greeting the customer. If you don't say it, by all means think and act it.

Sales contests sometimes make salespeople overly eager to sell, causing them to neglect the service emphasis. Commission salespeople also may be tempted to sell too obviously and forget this emphasis. However, dazzling tricks and unanswerable phrases do not have a fraction of the sales power of sincere helpfulness.

Keep your sales effort invisible. But let your helpfulness shine like a beacon. Selling is first and foremost the cultivation of helpful relationships with others—that spirit should dominate the total situation. Watching the total situation is more essential than watching the sales total.

### **Where Should Advertising Fit in the Organization Chart?**

SHOULD the industrial advertising manager report to the sales manager, or should both have equal authority? In a recent survey conducted by *Industrial Marketing*, more than 90 per cent of the executives polled believed that the advertising manager should report to the sales manager. They agreed that advertising is a tool of selling and, therefore, should be subordinate to sales.

Most executives qualified their answers, however, with assertions that the exact relation of advertising and sales departments depends on many varying factors within each company and that no one organization chart can be developed to meet the needs of all companies.

A typical comment by one executive qualified the majority opinion as follows:

"Whether or not the advertising manager should report to the sales manager depends largely on the stature and scope of the individual sales manager's authority. In companies where the sales manager is a top executive on the policy-making level, I think the ad manager should definitely report to him.

"In some larger companies where several sales managers report to a vice president in charge of sales, I feel that the advertising manager should be equivalent in authority to the individual sales managers, and likewise should report to the vice president."

This statement reflects the trend. Growing recognition of the need for closer cooperation between sales and advertising has led many industrial companies to place the advertising and sales manager on an equal level, with both directly responsible to an executive in charge of all marketing activities.

—WILLIAM A. MARSTELLER in *Industrial Marketing* 7/51

## Nine Tested Rules for Efficient Marketing

SUN OIL COMPANY's marketing costs during the past 10 inflationary years have not risen a fraction of a cent, despite the fact that employees' wages have doubled in that period. Here, for whatever value they may have to others, are the principles we have followed to make that record possible:

1. Don't be afraid to try new ways of marketing, even though the best advice may be against it.
2. Never enter a market you are not equipped to handle as economically as your competitors.
3. Do not sacrifice quality for the sake of reducing costs.
4. Give the public good, but not ostentatious, service.
5. Protect your own markets by competing vigorously, not by seeking "gentlemen's agreements" or by appealing to the government.
6. Keep a sharp watch on your competitor's quality and price structure, remembering that you must react quickly to any change that puts you at a disadvantage.
7. Decentralize your organization by giving your sales managers full authority over small sales areas.
8. Settle controversies as soon as possible after they arise.
9. Always play square with your customers, employees, and competitors.

—SAMUEL B. ECKERT (Executive Vice-President, Sun Oil Company) in *Dun's Review* 10/50

## Also Recommended . . .

**TESTED METHODS OF GETTING JOBBER CO-OPERATION.** By Nathan Kelne. *Printers' Ink* (205 East 42nd Street, New York), May 8, 1951. Presents a 20-point check list of proved methods for getting better jobber co-operation. Correspondence courses and special classes for the distributor's salesmen, films, contests, and prizes and market research for jobbers are among the ideas suggested. The best starting point in mapping out a program of jobber cooperation is a consideration of the jobber's problems—chief of which is how to make more money for himself and his salesmen.

**SELLING THE NEGRO MARKET.** *Tide* (232 Madison Avenue, New York 16, N. Y.), July 20, 1951. With 15,000,000 "purchasing agents" and an income of almost \$15 billion, the Negro market, which has always been underestimated, can mean soaring sales for companies alert enough to pursue it. According to this research report, the purchasing power of the Negro market exceeds the value of all the goods exported from the United States.

**KISS THE SWINDLE SHEET GOOD-BYE!** By Marilyn French. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), July, 1951. Methods of handling expense accounts used by sales managers of 39 well-known companies are outlined in this article which is based on the results of a questionnaire on salesmen's expense account policies. Sales managers rely

on salesmen's judgment, but frown on excesses, ask that unusual items be detailed, and question chronic high spenders. Though customer entertainment is the column on the expense sheet which is watched most closely, 32 of the reporting companies do not restrict this item.

**HOW SIX INDUSTRIAL ADVERTISERS INTRODUCE NEW PRODUCTS.** By William A. Marsteller. *Industrial Marketing* (200 East Illinois Street, Chicago, Ill.) May, 1951. In this article, leading industrial marketing executives who have had significant success in introducing new products, give their views on getting product acceptance and on the amount of money that should be spent on advertising, publicity, and sales promotion activities. Though several valuable tips are provided, the author concludes that the best guide for a company is its own experience, objectively recorded and analyzed.

**LET'S NOT BE FOOLED BY HIGH AD READERSHIP** By Dr. Hans Zeisel. *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), August 1, 1951. In this discussion of printed ads vs. radio and TV, Dr. Zeisel gives the reasons for his opinion that products which command great interest on the part of the prospective customer should tend toward printed media, while products which cannot do this should advertise on radio and TV. The author also points out that interest in a product is more often the cause than the result of high readership.

## SOLVING THE EXECUTIVE "TAKE-HOME" PAY PROBLEM

TODAY'S \$25,000-a-year executive has only \$10,125 left in 1939 dollars after taxes; high taxes and inflation have whittled the \$50,000-a-year executive down to less than 16 thousand 1939 dollars. In 1940, they "took home" \$22,000 and \$35,000, respectively.

After keeping up with the scale of living required by his job, there is little or nothing left to save for retirement income and family income. To have income at age 65 equal to half his present take-home pay, a 50-year-old executive must now save more than 46 per cent of his annual take-home pay.

In a new research study,\* the staff of Business Reports, Inc., has analyzed what more than 100 companies have done to meet this problem.

Corporate employers have as large a stake as their executives in finding a solution to this problem, since many crack executives, particularly on the second level, have discovered they can build more wealth and family security as successful local dealers than as vice-presidents. New executive pay plans are being developed, therefore, to attract and hold experienced men and to focus on company operations much mental energy now devoted to family financial worries.

Money put into a qualified pension plan will give an executive two-thirds more retirement income than the same amount paid to him in salary and saved by him in an annuity contract, the study showed. Likewise, the same money applied to a deferred pay contract with his company

will give him one-third more retirement take-home pay than savings out of current salary.

A recent example of the deferred pay deal is that by which National Broadcasting Company tied up the services of Milton Berle for the next 20 years. The net effect of this arrangement is to give Berle nearly three times as much take-home pay over 30 years as he could keep after taxes out of the same money taken in three years at the full rate his present popularity permits him to demand.

It is pointed out that, though an executive runs inflation risks when he accepts a fixed amount of dollars payable upon his retirement or death, the risk can be hedged by stock options which permit him to ride with, rather than against, inflationary trends. The advantages are shown by these figures:

	1939	1951
Value of Dollar	\$ 1.00	\$ .542
Dow-Jones Industrial Average	142.66	243.95
Moody's Yield on Industrials	3.9 per cent	6.79 per cent

If an executive had an option to acquire stock at the 1939 Dow-Jones level, he would have about the same percentage gain on the stock as his percentage loss on the dollar. If he had exercised his option to buy the stock at the 1939 Dow-Jones level, the 1951 dividend level on that stock would give him a yield of 11.6 per cent on his investment. Thus, by matching the size of a stock option against the dollar value of future income, the executive can be given a reasonable inflation hedge.

\* *Executive Pay Plans.* Business Reports, Inc., 225 West 34 Street, New York, N. Y. \$5.00.

Many companies, according to the study, are now taking advantage of a new provision of the 1950 tax law under which they may issue stock options and the executive may acquire stock without tax liability. These stock option plans may vary, depending on whether the objective is to give the executive a bargain investment and attractive dividend yield, or a chance to realize capital gains on company stock.

Strain on the executive's budget may also be relieved by a company commitment of income to his widow and children. The same number of dollars will buy considerably more family security if the employer-corporation promises income to an executive's family than if the company pays him more salary so that he can buy insurance to provide comparable protection.

There is an important place, too, for insurance contracts to fund and to carry the risks on company commitments for future payments. The same dollars necessary to give the executive a pay increase for him to provide for his own and his family's security can, when invested by

the company in an insurance contract, provide not only equivalent security for him, but also a substantial amount of tax-free company funds to replace the executive if the company should lose him before his retirement.

Up to this point the pension plan has not been particularly valuable in meeting the executive problem because of restrictions which the Treasury has placed on its use. Several recent developments have combined, however, to increase its efficiency as a retirement and investment vehicle for executives and particularly for officer-stockholders in small corporations, the study revealed. National Biscuit and Air Reduction have recently amended their pension plans accordingly to provide more adequately for their executives.

Several companies have used a combination of the available techniques. For example, Chrysler and Federated Department Stores have developed elaborate plans to provide for their executives by a fully developed combination of pension plan, salary continuation contract, and stock option and stock purchase arrangements.

### **Pensions and Union Politics**

GIVEN the fact that younger persons cannot be expected to be as interested in pensions as are those nearer retirement age, pensions seem likely to increase the already existing schism in unions between older and younger men. Such a cleavage can be a significant factor in union demands and in internal union politics.

At one extreme, a union controlled by older men could stress retirement benefits to such a degree that direct wage increases would be forced to a minimum or even future benefits themselves endangered. At the other extreme, a union controlled by younger men might renegotiate pension payments downward in order to increase wages or achieve other, more immediate benefits. The difficult fiscal problems, as well as plain headaches, which such possibilities involve for management are virtually unlimited.

—*Employee Welfare and Benefit Programs* (Research and Technical Report No. 7, Industrial Relations Center, University of Minnesota)

WHILE Federal, state, and local levies took 26.6 cents out of every dollar earned in the United States in 1950, this ratio is likely to rise close to 29 cents this year. The World War II peak was only 26.1 cents in 1945, with a mere 19.1 cents in the pre-war year 1940.

—*The Controller* 2/51

## WHAT DO STOCKHOLDERS LIKE?—AN ATTITUDE STUDY

**C**OMMON STOCKS in the \$10 to \$50 price range and a "normal" ratio of dividends to earnings are two things the typical stockholder likes to see on his investment shopping counter, according to 1375 common stockholders who answered a recent Los Angeles Stock Exchange questionnaire.

One of the most earnestly debated problems at many directors' meetings is the question "to split or not to split," and, if so, in what ratio. What directors want to know in considering this vital matter is (a) the specific price which stockholders would find most attractive, and (b) the price range within which most prospective stockholders are willing to buy.

Survey results clearly show that the most popular level is between \$20 and \$35, that the range between \$10 and \$50 has numerous adherents, and that prices below \$10 and above \$50 are least popular. However, since the survey indicated that a considerable number of stockholders do not ordinarily choose stocks priced below \$20 per share, it might, therefore, be best not to split to a level below \$20.

Are there not many people who prefer very high-priced or very low-priced stocks? Is it not desirable to have a certain number of high-priced and low-priced issues to attract them? Is it not desirable to keep high-quality stocks high and low-quality ones low in price? Shouldn't dignified industries such as banking have high-priced stocks? To all of these questions the stockholders seem to say "No." The stockholders of an important bank and a great oil company, whose high-quality shares have recently sold in the \$100 area, in each case centered about \$35 as their ideal share price, while the holders of two lesser-quality stocks in the \$5 to \$10 price range elected \$20 as their first choice. Therefore, it appears that

the holders of high-quality or dignified industry stocks do not ask that their share prices be kept much above the average, nor do people who hold relatively low-priced shares insist on buying only low-priced shares. On this evidence, the \$20 to \$40 range is broad enough for practically all stock financing except the very low-priced type.

However, other factors are also to be considered. Approximately 29 per cent of all stockholders and about 25 per cent of the smaller stockholders indicated a preference for round lots (100 shares). For this reason, and also because the small investor believes strongly in diversification, it is to be expected that stocks below the \$20 market value will often be chosen to effect a round lot purchase, the total value of which would be \$500 to \$1900. A review of the answers on "dividends" brings out three definite observations: (1) stockholders favor a "normal" or middle-of-the-road ratio of dividends to earnings, which will retain sufficient earning for growth purposes (20 to 60 per cent of earnings), but also allow generous dividends; (2) stockholders understand and sympathize with business financial needs, and in general trust and respect their managements on these points; and (3) there is a similarity of opinion on this matter from the stockholders of all types of industries and between large and small stockholders.

On the subject of regularity of dividend, stockholders are almost evenly divided between preference for a regular rate and for a regular-plus-extras system. Stockholders in companies which had recently used the regular-plus-extra plan gave it a small majority. Large holders inclined toward a regular rate, small ones toward a regular-plus-extra. No consistent pattern appeared as respects price of stock, quality of stock, or industry. A sug-

gested policy of irregular dividends at the company's convenience did not meet with favor. It is suspected that this latter policy sounded like a suggestion that dividends be infrequent as well as irregular and hence was not acceptable.

It should also be mentioned that many bitter remarks about management bonus and stock purchase plans were received. A good half of these objected to management bonuses when stockholders did not receive commensurate dividends or earnings, but implied approval of them when the owners of the business also fared well.

Rights appear popular with all classes of stockholders, large and small, in all kinds of corporations. A very large majority approve them without even a limit on the subscription ratio, and most of the rest like them if the subscription ratio is modest. It is not certain, however, that

the majority of stockholders understand the nature of subscription rights, and it is doubted if they understand the marketing problems incident to their use by a corporation.

In indicating the kind of market they prefer, an emphatic 67 per cent of replying stockholders voted for a stock exchange market. Experienced securities men will not be surprised at the overwhelming preference for listed markets; stockholders are generally not aware of the usefulness of the dealer function in thin or small markets, and they seem often unsympathetic with the non-listing traditions on bank and insurance stocks. Few stockholders expressed a preference for the over-the-counter market. If they did not vote definitely for a listed market, they broad-mindedly accepted either type so long as it was a good market.

—JOHN C. CLENDENIN, Associate Professor of Finance, University of California, Los Angeles, Calif.

### Common Methods of Embezzlement

EVERY DAY, as one form of theft or fraud is discovered, employees find new ways to embezzle. But here are some of the more common methods used to cover up thefts, as described in *Crime Loss Prevention* prepared by the Continental Casualty Co. of Chicago

1. By paying bills to fictitious firms and cashing checks through a dummy.
2. By extracting certain ledger sheets to conceal shortages.
3. By raising checks and then destroying vouchers when returned by bank.
4. By issuing checks for returned goods which were never returned.
5. By "swapping horses," i.e., stealing from incoming payments and applying subsequent remittances on other items to cover amounts stolen.
6. By reducing amount of outgoing invoices, paying the reduced amount in cash, and appropriating the customer's check when received.
7. By raising invoices and checks after they have been paid.
8. By invoicing goods too cheaply and securing cash rebates from customer.

—*The Journal of Accountancy* 7/51

**TAX TREADMILL:** Like a mule on a treadmill, U. S. business is beginning to feel that it has to keep moving faster just to stand still. Last week Manhattan's National City Bank, totting up first half-profits before taxes for 325 U. S. manufacturing corporations, reported a whopping increase of 51 per cent over the 1950 period. But after taxes had been deducted, the net gain was only 1 per cent.

—*Time* 8/13/51

## MINIMIZING THE EFFECTS OF THE EXCESS-PROFITS TAX

IT MAY SEEM a trite pronouncement, but there is little that management can do to minimize excess profits tax liability except to examine carefully the possible application of all provisions of the excess profits tax act to make certain that the most advantageous adjustments, elections, options, credits, and alternatives are utilized.

For example, the possible over-all tax savings resulting from the filing of a consolidated income and excess-profits tax return by affiliated groups, rather than separate returns, should be tested. And the effect of such a return on unused excess profits credit carry-overs or carry-backs must not be overlooked. The election to compute the invested capital credit under the historical method (Section 458) rather than under the asset method (Section 437) should be carefully weighed. Then, too, the use of the "growth" provision (Section 435 [e]) for computing the excess profits credit based on income may be more favorable than the general average (Section 435 [d]) if the company satisfies the statutory requisites of growth. It is also possible that the use of industry rates of return may yield a higher average base period income if the taxpayer establishes eligibility under one of the specific provisions (Sections 442 to 447, inclusive) permitting use of such industry rates. Investigations should be made of invested capital, and most certainly the base period years should be carefully examined for expenses such as judgments, intangible drilling and development costs, casualty losses, and other abnormal deductions (Section 433 [b] [9]), the restoration of which would increase the average base period income; and the current year's income should be combed for abnormal income (Section 456) or for nontaxable income from exempt excess output (Section 453).

Ordinary prospective transactions should not be consummated without a consideration of the excess profits tax effect. And if there are two methods of consummating a legitimate business transaction, everything else being equal, it would indeed be foolish to adopt the costlier one taxwise. Here are some examples of the varying excess profits tax effects of everyday business transactions:

The payment of any dividend will reduce the excess profits credit for subsequent taxable years. Also, (1) the payment of dividends in excess of current earnings, (2) the payment of any dividends in the first 60 days of a taxable year, or (3) the redemption of stock within the taxable year would also reduce the excess profits credit for the current taxable year.

If new capital is required, it is generally advantageous taxwise to issue indebtedness rather than stock because the interest on the former is deductible for income tax and (to a lesser extent) excess profits tax purposes. Thus, for a company subject to the 77 per cent tax rate using either the income method or the 12 per cent of invested capital method, the net cost of \$1,000,000 of borrowed capital at 4 per cent is a minus amount (a gain) of \$880. The same company issuing \$1,000,000 of stock would sustain a net "cost" of \$400 since dividends paid thereon are not deductible for income or excess profits tax purposes.

Acquiring another going business by purchasing its assets for cash would have no effect on the excess profits credit. However, a tax-free acquisition of the assets by the issuance of voting stock would preserve the base period earnings experience of the selling company for use by the acquiring company. The same applies to tax-free mergers and consolidations. Pur-

chase of the stock of another corporation for cash would decrease the credit of the acquiring corporation since the stock would constitute an inadmissible asset. However, the dividend return therefrom would be subject to nominal tax (about 7 per cent).

The incorporation of an existing partnership or proprietorship in a tax-free transaction (under Code Section 112 [b] [5]) would preserve its base period earnings experience for use by the new corporation. A taxable transaction (e.g., a purchase) would not.

The liquidation of a wholly owned subsidiary in a tax-free liquidation (under Code Section 112 [b] [6]) would preserve its base period earnings experience for use by the parent. A taxable liquidation would not. A tax-free liquidation also would increase the invested capital

of the parent if the cash cost of the stock to the parent exceeded the basis of the subsidiary's assets. The credit would be reduced if the reverse were true.

The creation of a new subsidiary for a bona fide business purpose (as contrasted with solely a tax purpose) would create an additional \$25,000 surtax credit and minimum excess profits tax credit. The creation of a new foreign subsidiary, i.e., the separate incorporation of foreign branches, would exempt the income therefrom from excess profits tax.

It is apparent that during the applicability of the excess profits tax law, alert management must consider, more seriously than ever, the tax effects of proposed transactions. Intimate familiarity with the law's provisions is the only means of assuring maximum protection.

—From an address by JAMES J. MAHON, JR. before the 32nd Annual International Cost Conference of the National Association of Cost Accountants.

### **Adjusting Pension Benefits to Living Costs**

A NEW PENSION PLAN with benefits automatically adjusted to changes in the cost of living has been negotiated by National Lock Co., Rockford, Ill. and Automobile Workers-CIO. Benefits will be based on the average annual gross earnings during the 10 calendar years after 1937 in which an employee's earnings were the highest. The benefit formula will be .75 per cent of the first \$3,000 of average income and .6 per cent of the excess multiplied by the number of years of service. This figure is divided by 12 to secure the "monthly base figure."

In adjusting benefits to changes in the cost of living, the contract provides:

"The calculation of an employee's pension will be made by multiplying the employee's monthly base figure by the 'Consumer Price Index' last published in the six months' period preceding January 1 of the year of the employee's retirement if the employee retires during the first six months of the year, or July 1 of the year of the employee's retirement if the employee retires during the last six months of the year, and dividing the results by the Consumer Price Index published for July, 1948. This Index for July, 1948 was 173.7. The result is then adjusted to the nearest dollar.

"Based on the 'Consumer Price Index' at 173.7, the minimum pension is \$40 per month, but in no event shall the minimum pension be reduced below the level it would be with a 'Consumer Price Index' of 166.9. The 'Consumer Price Index' shall be the index for moderate income families in large cities. (All items published by the United States Department of Labor, Bureau of Labor Statistics, Washington, D. C.) The pension amount will be re-computed on each July 1 and January 1 thereafter for the succeeding six months' period."

—Employee Benefit Plan Review (Charles D. Spencer & Associates, Inc.) 7/51

## INFLATION AND THE ECONOMIC OUTLOOK

**I**N RECENT MONTHS, and particularly in recent weeks, certain changes have taken place on our economic front. There is good prospect of the cessation of active hostilities in Korea. Prices for some months now have leveled off, and there has been some softening of the economy, though it is still operating at very high levels of production and employment measured against current capacity and available manpower. Under these circumstances, some extremists responsive only to the developments of the moment would abandon or drastically slash the defense program and eliminate the machinery of inflation control.

But in a more sensible time perspective, the most reasonable assumptions we can make as to the economic outlook are:

First, that Congress will be wise enough to continue to support the scheduled expansion of our defensive strength. Soviet power and Soviet intent have not been changed.

Second, that the level of total investment will continue to be very high. The needs of the defense program and the ample domestic markets to sustain that part of our national production which is not required for defense purposes should prevent total gross business investment from falling more than 20-25 per cent (including inventory accumulation) below the all-time peak rates of early 1951 at any time during the next few years. This would still be very high indeed.

—LEON H. KEYSERLING (Chairman, Council of Economic Advisers, Washington, D. C.). *Banking*, August, 1951, p. 14:1.

Third, that incomes of consumers after taxes, even if new tax legislation is promptly enacted, will continue to rise greatly above the peak levels which have been reached during the past year. In the very short run, the vagaries of consumers are unpredictable; but in the longer run, it is a fair proposition that rising consumer incomes, particularly when income is as well distributed as it is in this country, will produce a rising propensity to try to spend this income for the needs and niceties of life.

Coupling these three factors, the long-range outlook is for a revival of inflationary pressures. The policies required are: (1) tax increases sufficient to balance the budget, plus further economies; (2) the maintenance of selective credit controls, accompanied by restraints placed upon excessive business lending; (3) the vigorous encouragement of private savings and of bond purchases; (4) careful allocation of vital materials in short supply; (5) price and wage stabilization to supplement these other measures; (6) above all, harder work, more careful planning, and judicious business investment to expand output.

A wise combination of these measures can be successful only through increased public understanding and maximum cooperation between the government and all the sectors in private production. Under current world conditions, there is no room for unnecessary division on the home front.

ACCORDING TO F.B.I. FIGURES for 1950, a total of 11,743 arrests were made for the offenses of forgery and counterfeiting. These figures do not include banks and other financial institutions, but only commercial businesses handling money and checks. Experts estimate that there are 2,000 "big time" forgers constantly operating in the United States.

—*The Insurance Buyers' Digest* Vol. X, No. 8

## The Effect of Inventory Valuation on Profit and Taxes

IN GENERAL there are two fundamental methods of inventory valuation: namely, a concept of including inventory profits and a concept of not recognizing such profits. In an inflationary period, the use of LIFO may result in substantially lower profits and taxes than the use of traditional methods of inventory valuation. In a deflationary period, if inventory costs fall below the LIFO base, it is assumed that either the tax laws will be changed to permit of a reduction of base cost, or an inventory reserve will be established, and in either event the profit determination will approach FIFO. There are many variations of these two methods, but generally such variations do not materially affect the determination of taxes or income under either method.

The adoption of LIFO by companies up to the present time has been primarily because of tax considerations. The managements of many companies are undoubtedly of the opinion, however, that the elimination of inventory profits is desirable from the standpoint of giving shareholders better information about profits. Further, they state that both shareholders and management are furnished with a better yardstick as to the accomplishments of a business in a given period. The real test of LIFO will come in a deflationary period with no tax benefits and possibly additional tax costs. If, under these conditions, there is still a trend toward its use, we all must agree that LIFO has been accepted on its own merits as an accounting and business ideology.

—Summary of an address by JACKSON W. SMART before the National Association of Cost Accountants.

## Also Recommended . . .

**THE EFFECTS OF TAXATION ON CORPORATE MERGERS.** *The Journal of Accountancy* (270 Madison Avenue, New York 16, N. Y.), August, 1951. The sources of the data summarized in this article are extensive field interviews covering over 100 mergers from 1941 to 1949. These interviews were designed to determine the relative importance of different motivations in mergers. According to this study, one of the major tax reasons for the sale of small companies to larger ones is to enable the owners of closely held businesses to take out their profits by the capital-gains route; the newly enacted excess profits tax will tend to reinforce this motivation.

**STOCK PURCHASE PROGRAMS.** By J. O. Kamm. *The Controller* (1 East 42 Street, New York 17, N. Y.), April, 1951. An analysis of the reasons why companies adopt stock purchase programs, the methods followed in carrying out the purchases, and their results. The accounting techniques involved are also considered.

**SOURCES AND COST OF CAPITAL TO FINANCE RESEARCH AND THE RESULTS OF RESEARCH.** By Roland P. Soule. *Proceedings of the First Annual Conference on Industrial Research* (King's Crown Press, 2960 Broadway, New York 27, N. Y.), June, 1950. This discussion covers the sources and supply of the various types of capital used to finance research, the important changes which have oc-

curred in recent years in the relative cost of these various types of capital, and the implication of these changes with respect to research project choice. Dr. Soule points out that the average new project, whatever its objective, must now earn on every dollar of retained earnings invested at least twice as much as before the war in order to provide the same benefit to stockholders.

**YOUR STOCKHOLDERS RELATIONS.** By David L. Swift. *Banking* (12 East 36 Street, New York 16, N. Y.), July, 1951. This article reports the results of a survey of the stockholder relations activities of the 300 largest American banks. The survey included questions on: publications for stockholders, stockholder-bank "intercom," stockholder opinion, and Christmas greetings.

**RECOGNITION OF INCREASED REPLACEMENT COSTS.** By W. W. Gimmy. *Michigan Business Review* (School of Business Administration, University of Michigan, Ann Arbor, Mich.), July, 1951. In a period of rising prices, the practice of calculating depreciation on original lower costs may have serious consequences, as illustrated in this article. It is the experience of the author that the results obtained by computing the increase in the value of fixed assets in line with the increase in recognized price indexes coincide fairly closely with engineering estimates of replacement costs.

## Insurance Management

### ANNUAL REVIEW OF COVERAGE ADVOCATED

**ANY BUSINESS ORGANIZATION** which fails to review its insurance program periodically is flirting with disaster in these times when new hazards are making their appearance almost daily. This view was expressed by Roger Kenney, insurance editor of the *United States Investor*, in a recent address before the Second Insurance Buyers' Conference at Nashville, Tenn. Advocating at least annual reviews of the various types of coverage carried by business organizations, Mr. Kenney said:

"I have never yet found a case where during the course of one year there has not been some change important enough to require translation into existing policies. It may be a matter of changing policy conditions, changing rate formula, changing values, change of business operation, or it may be the result of some fundamental court decision. But for the most part, it will be internal changes of one sort or another which the executive in charge did not realize would have an effect on any of the insurance contracts or on the enforceable right of recovery thereunder.

"This all serves to prove the need of a good insurance agent . . . to help the insurance buyer to recognize and appraise risks incidental to the business operation—before disaster strikes. This, of course, calls for an intimate knowledge of the values and peculiarities of the property at risk, inherent dangers in the operations, whether manufacturing or sales—in fact, everything and anything that can lead to either a property or a liability loss. And once those hazards have been detected, it becomes a joint responsibility of both the buyer and the agent to see that the risks

are covered at a reasonable and fair rate—a task which calls for a clear understanding on the part of the agent of fire insurance rate schedules and principles of casualty rating. With such understanding, the well-qualified agent will have no difficulty in making a close estimate of any new risk which develops. And by reason of his wide knowledge of the markets for such risks, he will be able to check his own figures promptly.

"On that matter of a fair rate for your various risks, I would just like to make this one observation. After 25 years or more of close contact with insurance leaders, I have yet to find one who is not cognizant that he is engaged in a business charged with the public interest—with all that implies in the way of serving the insurance-buying public at a rate that will bring only a fair profit. Indeed, it was these same leaders who recently saw fit to persuade the legislatures of the various states to write into the rating laws the provision that rates shall 'not be excessive, inadequate, unfairly discriminatory, or otherwise unreasonable.'

"To make these rating laws really work, it is absolutely necessary that there be utter frankness between the buyer and the insurance agent. And after all, isn't it futile to adopt any other course when you stop to think that if the company charges a higher rate than is necessary, it is bound—in these days of intensive competition—to lose the business? And if, on the other hand, the buyer drives too sharp a bargain—squeezing the last penny of possible profit out of his risk—he ends up as a beggar in the marketplace of the insurance world."

—*The Weekly Underwriter*, May 19, 1951, p. 1260:2.

## UNINSURED COSTS OF INDUSTRIAL ACCIDENTS

**H**ISTORY HAS SHOWN that the greatest stimulus to a serious concern for safety has been management's growing realization of the costliness of accidents as compared with the cost of safety measures calculated to eliminate them.

Though most managements are aware of the insured cost of their accidents, i.e., the premiums they pay for workmen's compensation insurance, too often executives disregard such other costs as property damage and interference with work processes because they have no means of estimating these costs. In order to develop effective measurements of such uninsured costs, a thousand case studies, representing a variety of industries, were analyzed recently. The following is a breakdown of the relative importance of 10 different elements of uninsured cost as found in this study:

1. Cost of wages paid for time lost by those who stop to watch, assist, or talk about the accident, or whose work is delayed because of damage to equipment or lack of the injured worker accounts for almost a fifth of the total lost-time costs.

2. Cost to repair, replace, or put in order material or equipment damaged or disarranged is the major item in no-injury accidents (81 per cent).

3. Cost of wages paid for time lost by an injured worker, other than workmen's compensation (covered by insurance or self-insurance), accounts for 22 to 27 per cent of the total in first-aid cases, in doctor's cases, and in lost-time cases.

4. Extra cost due to overtime work necessitated by the accident and any extra cost for supervision, heat, light, cleaning, etc., that is necessitated by the overtime work amounts to a maximum of 5 per cent of the total in lost-time cases.

5. Cost of supervisor's time required when an accident occurs comes out of the

foreman's time needed for such other duties as planning work, improving methods, and instructing workers. This cost is a relatively small element.

6. Wage cost due to decreased output of the injured workers after their return to work amounts to a maximum of 6 per cent of the total in both doctor's and lost-time costs.

7. Cost of learning period of a substitute worker represents 4 per cent of the total of lost-time costs.

8. In large concerns, the medical department has many duties such as ministering to non-industrial injuries and illnesses, education in accident prevention and personal hygiene, elimination or control of health hazards, medical records, supervision of plant sanitation and health measures, and the prevention of illness absenteeism. While a change in accident frequency may not alter the cost of operating the medical department, it nevertheless may affect the time available for those other activities. This cost is particularly important in the first-aid cases, amounting to 60 per cent of the total cost for such cases.

9. Cost of time spent by higher supervision and clerical workers on investigations or processing compensation application forms represents a third of the total cost for doctor's cases.

10. Miscellaneous unusual costs must be shown clearly and justified by the investigator on individual accident reports. Among such possible costs are: public liability claims, cost of renting replacement equipment, loss of profit on contracts cancelled or orders lost if the accident causes a net long-run reduction in total sales, loss of bonuses by company, cost of hiring new employees if the additional hiring expense is significant, cost of excess spoilage by new employees, and demurrage.

Because it would be too costly to make a permanent practice of recording the particular costs of every accident, the use of some ratio is sound. The following method was, therefore, developed and is now recommended by the National Safety Council in its Safe Practices Pamphlet on accident cost.

Average uninsured costs per case should be found for each of the four types of accidents (i.e., first-aid, doctor's, lost-time, and no-injury). Since it has become good standard practice to keep records that show the number of each of these types of accidents (except the no-injury accidents, which may be estimated), it is easy to multiply the number in each category by the previously determined average uninsured cost per case. Adding these prod-

ucts together gives the total uninsured cost. This plus the insurance premiums (or the cost of self-insurance) is the total measurable accident cost for the ordinary run of accidents.

The only difficult part of this procedure is securing the constants representing the average uninsured cost per case. This may be done best by conducting a pilot study in the company for which figures are wanted. Such pilot studies seldom will cost more than a few hundred dollars and may produce collateral savings far in excess of their cost. However, many concerns will, no doubt, choose to sacrifice a little in accuracy and use average uninsured costs for their type of industry established elsewhere, in order to avoid the necessity of conducting a pilot study.

—ROLLIN H. SIMONDS. *Monthly Labor Review*, June, 1951, p. 633:5.

### **97 Out of 100 Accepted for Life Insurance**

NEARLY 8,500,000 APPLICATIONS were made for ordinary life insurance policies last year, and of these 97 out of every 100 were accepted. This means that only 3 per cent were turned down. At the turn of the century, declinations often ran well over 10 per cent.

During 1950, the total amount approved for acceptance was nearly \$21,000,000,000 of ordinary life insurance, a record amount. Of those policies actually issued and paid for, 92 per cent were at standard rates and 8 per cent were on an extra premium basis.

The principal cause of rejection reported by the life companies was heart disease in one or another of the group of cardiovascular-renal ailments. These accounted for 45 per cent of all policies turned down. Second chief medical cause for extra rating was weight, chiefly overweight. About one-third of the extra rate cases were for occupational hazards. The extra ratings are not necessarily permanent.

There was a continuation during 1950 of the trend toward expanding the writing of policies without a medical examination, with more than half of all applicants being accepted on this basis.

—*Insurance Advocate* 7/21/51

### **Post-Retirement Insurance Surveyed**

A RECENT SURVEY by the Institute of Life Insurance showed that group life protection is continued by many employers for retired employees, sometimes in the full amount, but usually with a reduction. Among the 80 insurance companies reporting, approximately 4 per cent of their group life certificates were on persons 65 or over, and more than half of these companies write some kind of group life policy that specifically provides that all or part of the protection will be continued when the worker retires.

—*For Your Information* (Edwin Shields Hewitt and Associates, Chicago 4, Ill.) Vol. 3, No. 11

## INSURING AGAINST "MEDICAL CATASTROPHE"

**M**EDICAL REIMBURSEMENT insurance which is designed to protect the group member against the heavy expenses of a serious accident or a long illness is growing. This form of coverage is lifting previous limits by picking up coverage when expense exceeds a stipulated "deductible" amount, and then going to a top of thousands of dollars. "Medical catastrophe" insurance is what the higher paid employee desires and needs. Its appeal, according to recent surveys, is confined largely to persons earning more than \$5,000 a year.

Several plans already are in effect. A few years ago, a group of supervisory employees of a large company obtained an insurance contract that covered 75 per cent of all hospital, surgical, medical and nursing expenses in excess of a "deductible" of \$300, up to a maximum of \$3,000 for any one illness or injury. The first year's operation showed an approximate annual net cost per employee of \$24; and it was recently announced that the plan would be extended to cover families of employees.

Another plan, administered by employees through a mutual benefit association, pays 75 per cent of costs up to a maximum of \$1,500 after the employee has exhausted his benefits under the company's regular plan, plus an additional \$100 "deductible."

A third type of plan has been written in several employee groups on the West Coast. This type limits eligibility to employees earning \$6,000 per year or more, and pays hospital, surgical, medical and

nursing costs over a \$100 "deductible" up to a maximum of \$5,000.

In designing a group plan to provide protection against "catastrophe" medical expenses, it seems desirable to include the following provisions:

1. Relatively high "deductible"—\$300, \$500 or one month's pay. This is necessary in order to gear the new plan to present plans, and to reduce costs by eliminating the handling of small claims.

2. "Co-insurance" factor requiring the employee and insurance company to share payment of claims on some such equitable basis as 25 per cent for the insured and 75 per cent for the insurer. This feature reduces cost of the coverage; it acts as a deterrent against the use of expensive services and enlists the employee's support in holding down unduly high professional fees.

3. Careful definition of medical expenses which will be reimbursed. Generally, all necessary and reasonable expenses of the insured for the diagnosis, treatment or cure of a disease or injury should be covered. This would include hospital and clinical charges; physicians', surgeons' and nurses' fees; the cost of drugs; charge for X-ray; dressings; expense of appliances; etc.

4. Limitation of eligibility to higher earnings groups, where the need and desire for "catastrophe" expense coverage are particularly pronounced.

Standard group plans incorporating the above-mentioned features are not now generally available from insurance companies. However, several large companies are now ready to discuss with employers the design and cost of plans which are soundly conceived, simple to administer, and which satisfactorily cover the risk of major medical expenses.

—The TPF&C Newsletter (Towers, Perrin, Forster & Crosby, Inc., Philadelphia, Penna.), June, 1951.

LIFE INSURANCE SALES per capita jumped from \$50 in 1940 to \$112 in 1950, with the Pacific Coast representing the highest figure (\$134) and the East South Central section of the country reflecting the lowest figure (\$64).

—Research Company of America, (341 Madison Avenue, New York 17, N. Y.)

## AN INSURANCE BUYER SPEAKS

**M**ANY UNDERWRITERS have expressed resentment of buyers who have voiced suggestions to improve service, reduce costs, or meet an insured's needs better. E. L. Clark, treasurer of J. C. Penney Co., said at a recent meeting of the New York Chapter of the National Insurance Buyers Association. However, many of these suggestions have been adopted, Mr. Clark pointed out. Things are moving so fast that those saying "it can't be done" are interrupted by those doing it.

Among the many things buyers would like to see is a national standard basis of fire insurance rating, which at present is only in the conversational stage. There is a great need for a national uniform method of arriving at fire rates, with adequate credits for improved risks and severe charges for non-standard conditions.

Though the standard fire policy has served a need in the insurance business, buyers feel that with multiple-peril coverage the use of the standard fire contract is an impediment to the proper writing of full cover insurance. Steps should be taken to amend the laws of various states which now require the use of the standard policy when the perils insured include fire. In these states, a standard all-peril insurance contract which would properly meet

the needs of the present-day situation should be legalized. Another object should be to simplify and clarify the wording of all such contracts.

Similarly, the present method followed by insurers of having separate rating organizations for each form of coverage is expensive and creates obstacles which should be eliminated. The recently formed Multiple Peril Rating Bureau should absorb all the 57 varieties now operated separately—one source of statistics—one source of rulings which will not overlap. The efficiency and savings will be a boon to all.

Loan institutions such as banks, life insurers, and the like have begun only now to realize the direct interest that they have in the insurance carried by their borrowers, Mr. Clark pointed out. Many today are setting up methods of checking into various forms of insurance carried and their adequacies when they make large loans, particularly to going business operations. As a result, business now finds that it needs executives trained and informed insurance-wise because it has become a full-time job to handle the insurance requirements of a concern of even moderate size. However, the demand for men qualified for such positions exceeds the supply.

—*The National Underwriter*, July 5, 1951, p. 3:1.

### Experience Rating in 1950: A Review

THE ECONOMIC DOWNTURN that began in the last half of 1948 and resulted in record unemployment insurance disbursements during 1949 caused the average employer tax rate to increase from 1.31 per cent in 1949 to an estimated 1.5 per cent in 1950.

However, economic pressures toward higher tax rates were partially offset by the continued changes of experience-rating provisions in favor of lower rates for employers. In 10 states, schedules enacted during the 1949 legislative sessions became effective, causing rate reductions in those states.

It is estimated that the 1950 employer tax rate resulted in a revenue yield of \$1.2 billion, which was 20 per cent more than the 1949 revenue. However, this sum was \$1.0 billion less than it would have been had there been no experience-

rating in effect during the year and had all employers been taxed at the standard rate. The reduction in revenue, therefore, was 45 per cent, as compared with 52 per cent in 1949.

In the 47 states with reduced rates in effect during 1950, almost 65 per cent of the employers were eligible for rate reductions and of these, over 80 per cent were assigned reduced rates. As in past years, firms in the stable industries generally received lower rates than those in the seasonal industries. Also apparent in 1950 was a definite tendency for firms with large pay rolls to be concentrated in the most favorable tax rate groups, while the smaller firms appear in the higher rate groups.

—*The Labor Market and Employment Security* (Bureau of Employment Security) 6/51

**JOB PROSPECTS SHORTEN FOR AGED:** The average span of life in the United States is lengthening but, paradoxically, "occupational expectancy is definitely decreasing," Dr. E. V. Cowdry of Washington University School of Medicine at St. Louis maintains. In 1890, Dr. Cowdry says, 70 per cent of men over 65 years were employed—but in 1950 the percentage had been almost halved, and by 1960 only 30 per cent over 65 are likely to be employed, it is estimated.

—*Science Digest* 7/51

## Also Recommended . . .

**RECENT TRENDS IN OCCUPATIONAL DISEASE LEGISLATION.** By Louise K. Steiner. *Bulletin* (Institute of Labor and Industrial Relations, 358 Administration Building, University of Illinois, Urbana, Ill.), May, 1951. This bulletin is concerned with the subject of compensation (as distinguished from prevention) of occupational diseases, covering such topics as the development of occupational disease legislation, recent trends in such legislation, and the adequacy of present coverage. In 1936, only 20 states had laws with occupational disease provisions, but 41 states had enacted such laws by the end of last year. The author points out that serious coverage limitations still exist, however, since seven states have no occupational disease provision and at least that number have inadequate coverage under the schedule system.

**NATURE OF RESERVE FOR SELF-INSURANCE.** By Bernard F. Magruder. *The Accounting Review* (450 Ahnaip Street, Menasha, Wis.), July, 1951. The author expresses his opinion that insurable risks can be estimated with sufficient accuracy to warrant current recognition, and that the possibility of a casualty should be considered in determining depreciation rates unless the risk is transferred to an insurer. He believes that the estimated risk assumed should be matched against the revenue of the periods benefiting from the asset, and the resulting credit is properly shown as a contra to the asset.

**INSURING DEFENSE CONTRACTS.** By William Leslie. *Best's Insurance News* (75 Fulton Street, New York 38, N. Y.), June, 1951. This explanation of the insurance program contemplated by the Defense Department and the casualty insurance carriers shows how the Comprehensive Rating Plan is beneficial to the carriers and the government. The administration of the plan is in the hands of a committee of eight, four representing stock companies and four representing mutuals; this committee is successfully cooperating with the Director of Insurance of the Department of Defense and with the heads of the insurance divisions of the three military departments.

**AUTOMOBILE LIABILITY RATEMAKING.** By William H. Brewster. *Weekly Underwriter* (116 John Street, New York 38, N. Y.), June 16, 1951. The growing importance of automobile liability insurance is evident from the fact that by the end of 1951 approximately 50 million private passenger and commercial automobiles are expected to be registered in the United States. This article explains the process of making and revising automobile liability rates, tells of the issuance of the Bodily Injury and Property Damage Manuals in Massachusetts, and concludes with an appeal for public education in the matter of careless driving.

## Survey of Books for Executives

**THE LABOR PROBLEM IN THE PUBLIC SERVICE.** By Robert Morton Godine. Harvard University Press, Cambridge, Mass., 1951. 317 pages. \$5.00.

*Reviewed by Phillips Bradley\**

In public administration, the comparative neglect of the practical and philosophical aspects of what is today a major area of study in private affairs may, perhaps, be explained by our concept of the State. We tend to look on actions and policies of government—still—as different from and superior to, those of its citizens. This is, of course, true; only the State possesses sovereignty in the traditional sense. The attributes of sovereignty do not, however, necessarily cloak the actions and policies of the State in labor-management relations with inherent independence of the same principles it imposes on its citizens in their private conduct.

This thesis is traced by the author through the course of American experience in governmental labor-management relations. He indicates that, despite the special privileges of civil-service status (often more assumed than actual), the substantive rights of the government worker lag behind those of his fellow workers in private employment. The range of matters usually dealt with in collective bargaining—from union recognition to fringe benefits—is not as yet generally recognized as susceptible of negotiation in government service.

The author reviews the growth of unionism in federal, state, and local government and outlines the development of their legal position and of their policies and operations. He points cogently to the absence of any real differences in the skills required for much more than half of all government employment from those in business and industry. The few federal agencies which have established broad programs of labor-management relations—notably T.V.A. and Bonneville Power Administration—suggest the possibilities, he be-

lieves, for a more progressive policy throughout government.

This volume should be on the shelf of every personnel manager. The concept of "management's right to manage," though sharply differentiated by law in public and private employment, is implicit in both. The status of management may be different; its problems are not. The author's "proposed principles" of collective bargaining in public service will prove of great interest to managers in private as well as in government enterprise.

**THE LAW OF LABOR RELATIONS.** By Benjamin Werne. The Macmillan Company, New York, 1951. 471 pages. \$5.75.

*Reviewed by Leland Hazard\**

If this reviewer's memory serves him well, Alexander Pope said: "Index hunting ne'er turned student pale." Labor relations practitioners would be the first to claim studious habits. They are members of a young profession, feeling its way, scarcely knowing whether its sources are law, engineering, or just plain Christianity. They have as yet no great prophets such as Blackstone in Anglo-American law or Harvey in Western World medicine. Nevertheless, they are thinking very hard about the claims of Labor to a better life, the compulsion of Management to make a profit, the needs of the Public for uninterrupted goods and services. But when all is said and done, a profession is being born in the field, not in the study.

For such a profession, Benjamin Werne's *The Law of Labor Relations* is a good book. The consequences of the Wagner Act and ensuing legislation, as reflected in decisions of The National Labor Relations Board, are well organized into logical categories. The arrangement, index, and table of contents are carefully and thoughtfully managed. What Linnaeus was to Botany is well known to all

\* Maxwell Graduate School of Citizenship and Public Affairs, Syracuse University.

\* Vice President and General Counsel, Pittsburgh Plate Glass Company.

students. Classification is important. It is the first step to science and philosophy. However, it is not science and it is not philosophy.

Werne's classifications are useful. They are important. A wealth of material, decisions, precedents, cases—over a decade of grist from the NLRB mill is compactly and skillfully assembled and organized. The practitioner in labor relations will find it useful. The student and philosopher, however, must wait for a more skeptical mind to relate the material to the fundamentals of labor law.

**INDUSTRIAL RELATIONS IN SWEDEN.** By Charles A. Myers. Massachusetts Institute of Technology Press, Cambridge, Mass., 1951. 112 pages. \$2.00 (board); \$1.65 (paper).

*Reviewed by Robert R. Manley, Jr.\**

Sweden's phenomenal record of only a single major strike since 1933 makes the American industrial scene look like a gigantic turmoil in comparison. This book discusses the methods by which Sweden has achieved an enviable industrial peace for nearly four decades. Consequently, those interested in improving both formal union-management relations and "in-plant relations" will probably wish to give careful consideration to this report.

Mr. Myers, Executive Director of the Industrial Relations Section at M.I.T., recently visited Sweden under the auspices of the Department of State and the American Embassy in Stockholm. The request to come to Sweden for the purpose of presenting American concepts of industrial relations was initiated by a committee in Sweden similar to our Committee for Economic Development. Professor Myers had an opportunity to observe many industries and talk with leaders of both management and labor. The following are some of the highlights of the author's findings.

In collective bargaining, the impression is given that Sweden has advanced much further than the U. S. Ninety-eight per cent of Swedish labor is organized, primarily on industrial rather than craft lines. (The extent

of organization is at least twice as great as in this country.) Employers are also organized on an industrywide basis. Collective bargaining is done on an industrywide basis, a practice which is feared by many American business men. The government in no way tries to interfere with collective bargaining. How is this arrangement liked? With full cognizance of the disadvantages, both sides answer with a resounding "fine."

In-plant relations and programs have not progressed as far in Sweden as in America. Because of the industrywide bargaining and the immediate shuttling of major disputes to arbitration, the position of middle management has been weakened. The advancement of foremen to higher management positions has been an especially sore spot. Though foremen are highly organized into unions, they still consider themselves management, and efforts are being made by the progressive companies to bring them even closer to management. In respect to the selection, training, and continued development of foremen, opportunities for improvement similar to those available in the United States are generally found to exist in Sweden.

Much less care has been given to the problem of personnel activities in Sweden than in America. Only one of the 33 firms visited had introduced an employee rating plan. There has also been a lesser emphasis upon fringe benefits and employee personnel problems. Sweden has followed American leadership in establishing "enterprise councils," which parallel our labor-management committees. These councils have had a large initial first growth, but their future strength is still uncertain.

With a labor party in control of the government, the political atmosphere is different in Sweden. Labor, however, has learned to shoulder responsibility, and its objective is not to socialize industry. This made possible the union and management federation's agreement to have a wage freeze and stop the inflation spiral.

Because there has been a labor shortage in Sweden, the method of competing for labor has been through social welfare programs such as company housing. (American industry has been reluctant to compete for labor on this basis because of the charge of "paternalism"

\* Cresap, McCormick, and Paget, New York, N. Y.

and the preference of the worker to take home the cost of industrial welfare plans in his paycheck.)

The reader will be disappointed if he is looking for a panacea to solve American labor troubles. Professor Myers does not draw any conclusions as to which system is best or whether the system used in Sweden is applicable to America. The only real conclusion is that there are more differences (20) than there are similarities (4).

However, the summary conclusion provides much food for thought. First, it can be asked if the Swedish industrial democracy will be the prototype of that which we will have in America 20 years hence. Secondly, it suggests the value of further attempts to determine whether any Swedish industrial relations practices, such as industrywide bargaining and the "wage-stop," have a stagnating effect upon incentive.

### Briefer Book Notes

(Please order books directly from publishers)

**TECHNIQUE OF ADMINISTRATION:** *Administrative Proficiency in Business.* By Erwin Haskell Schell. McGraw-Hill Book Company, Inc., New York, 1951. New second edition. 363 pages. \$4.50. A revised edition of Professor Schell's basic text, *Administrative Proficiency in Business*, which provides an authoritative treatment of top-managerial responsibilities. The author delineates for the young executive the nature and challenge of a career in administration and the attainable qualities of personality and character that underlie administrative proficiency. Specific additions to this edition include more than 200 anecdotes and 1000 discussion questions for instructional use.

**WHERE DO YOU GO FROM NO:** *Selling Simplified.* By Leon Epstein. Sales Research Institute, 103 Park Avenue, New York 17, N. Y., 1951. 238 pages. \$4.50. An inspirational, epigrammatic treatment of the basic principles of creative selling, starting from the prospect's initial "No" to the eventual clinching of a sale.

**ADVERTISING IDEA BOOK.** By *Printers' Ink* Editors and Contributors. Funk & Wagnalls Company in association with Printers' Ink Publishing Company, Inc., New York, 1951. 348 pages. \$5.00. A stimulating source of tested ideas on every phase of advertising, this latest *Printers' Ink* Idea Book provides, in dictionary style, 634 selling angles, new approaches, and springboard suggestions to make advertising more effective.

**WHICH AD PULLED BEST?** *Printers' Ink Fact-Test Report Number One.* By Carroll J. Swan. Funk & Wagnalls Company in association with Printers' Ink Publishing Company, Inc., New York, 1951. 163 pages. \$7.50. Shows the results of 57 tests comparing the relative effectiveness of 139 individual advertisements, and covers such elements as headlines, copy, illustrations, layout, space, position, and use of coupons.

**SURVEY OF LABOR ECONOMICS.** By Florence Peterson. Harper & Brothers, New York, 1951. Revised edition. 871 pages. \$5.00. This new edition of Dr. Peterson's comprehensive work not only brings the test up to date on recent developments in labor relations, wages, and social security legislation, but incorporates the latest statistical data in new charts and tables. Two chapters have been added to permit more comprehensive discussions of such topics as union-management cooperation, problems of government workers, and methods of settling labor disputes.

**LABOR FACT BOOK 10.** Prepared by Labor Research Association. International Publishers Company, Inc., 381 Fourth Avenue, New York, N. Y. 1951. 160 pages. \$2.50. Latest edition of a biennial reference work designed largely for the trade union audience and covering economic and political trends, labor and social conditions, developments in the labor movement, labor relations, and legislation.

**PERSONAL AND SOCIAL ADJUSTMENT IN INDUSTRY: An Outline of Suggested Problems and Methods of Research.** By Robert W. Hites. Research Monograph Number 61, The Bureau of Business Research, College of Commerce and Administration, The Ohio State University, Columbus, Ohio, 1950. 62 pages. \$2.00. A survey of the many problems in industrial mental hygiene and human relations that require further research and of suggested methods for investigating them. Though this is primarily a manual for teachers and research workers, the clear statements of the problems should be helpful, also, to personnel directors in industry.

**THE WORKSHOP WAY OF LEARNING.** By Earl C. Kelley. Harper & Brothers, New York, 1951. 169 pages. \$2.75. The heart of the workshop idea is to place responsibility for learning on the student—to develop self-confidence in his own learning ability in the process of group participation. In view of the growing recognition of the inadequacy of traditional methods of instruction and the increasing use of group training techniques by industry, this book (which reports on the Workshop at Wayne University) should be of practical interest to personnel administrators.

**THE SALES MANAGER'S LETTER BOOK.** By L. E. Frailey. Prentice-Hall, Inc., New York, 1951. 496 pages. \$5.65. An abridgement of *Handbook of Business Letters*, originally issued in 1948. Contains hundreds of practical examples of letters with hard-hitting sales appeal to customers, prospects and salesmen.

## Publications Received

(Please order directly from publishers)

**OPERATING RESULTS OF LIMITED PRICE VARIETY CHAINS IN 1950.** By Esther M. Love. Bulletin Number 135. Division of Research, Graduate School of Business Administration, Harvard University, Boston, 1951. 26 pages. \$2.00.

**MIGRATORY LABOR IN AMERICAN AGRICULTURE: Report of the President's Commission on Migratory Labor.** Available from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. 188 pages. 75 cents.

**USE OF FACTORIAL DESIGN IN INDUSTRIAL RELATIONS RESEARCH.** By Clarence W. Nelson. Research and Technical Report 6 of the Industrial Relations Center, University of Minnesota. Wm. C. Brown Company, Dubuque, Iowa, 1950. 52 pages. \$1.50.

**OPERATING RESULTS OF DEPARTMENT AND SPECIALTY STORES IN 1950.** By Malcolm P. McNair. Bulletin Number 134. Division of Research, Graduate School of Business Administration, Harvard University, Boston, 1951. 58 pages. \$5.00.

**NINTH ANNUAL EDITION OF A BASIC MARKETING CHART OF THE UNITED STATES.** Research Company of America, 341 Madison Avenue, New York 17, N. Y. 1951. \$2.50.

**INCOME AND EMPLOYMENT ANALYSIS.** By Sidney Weintraub. Pitman Publishing Corporation, 2 West 45 Street, New York, N. Y. 1951. 239 pages. \$3.00.

**HOW TO PLAN MEETINGS AND BE A SUCCESSFUL CHAIRMAN.** By Joseph G. Glass. Merlin Press, Inc., 309 Lafayette Street, New York, N. Y. 1951. 208 pages. \$1.95.

**PRACTICING LAW INSTITUTE FORUM PRICES, WAGES, AND PRIORITIES.** The Bureau of National Affairs, Inc., 1231 24th Street, N.W., Washington 7, D. C. 1951. 92 pages. \$5.00.

**BASIC RETAILING.** By Harry Q. Packer and Marguerite E. Waterman. Prentice-Hall, Inc., New York, 1951. 387 pages. \$2.80.

**HOW TO USE YOUR MIND.** By Harry Dexter Kitson. J. F. Lippincott Company, New York, 1951. Fourth revised edition. 196 pages. \$2.50.

**STATE AND LOCAL GOVERNMENT IN THE UNITED STATES.** By William Anderson and Edward W. Weidner. Henry Holt and Company, New York, 1951. 744 pages. \$5.25.

**THE SUCCESSFUL SPEAKER'S HANDBOOK.** By Herbert V. Prochnow. Prentice-Hall, Inc., New York, 1951. 343 pages. \$4.50.

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# Ten COMMANDMENTS OF GOOD ORGANIZATION

*There are two kinds of efficiency: one kind is only apparent and is produced in organizations through the exercise of mere discipline. This is but a simulation of the second, or true, efficiency which springs, as Woodrow Wilson said, from "the spontaneous cooperation of a free people." If you are a manager, no matter how great or small your responsibility, it is your job, in the final analysis, to create and develop this voluntary cooperation among the people whom you supervise. For, no matter how powerful a combination of money, machines and materials a company may have, this is a dead and sterile thing without a team of willing, thinking and articulate people to guide it.*

- 1 Definite and clean-cut responsibilities should be assigned to each executive.
- 2 Responsibility should always be coupled with corresponding authority.
- 3 No change should be made in the scope or responsibilities of a position without a definite understanding to that effect on the part of all persons concerned.
- 4 No executive or employee, occupying a single position in the organization, should be subject to definite orders from more than one source.
- 5 Orders should never be given to subordinates over the head of a responsible executive. Rather than do this the officer in question should be supplanted.
- 6 Criticisms of subordinates should, whenever possible, be made privately, and in no case should a subordinate be criticized in the presence of executives or employees of equal or lower rank.
- 7 No dispute or difference between executives or employees as to authority or responsibilities should be considered too trivial for prompt and careful adjudication.
- 8 Promotions, wage changes, and disciplinary action should always be approved by the executive immediately superior to the one directly responsible.
- 9 No executive or employee should ever be required, or expected, to be at the same time an assistant to, and critic of, another.
- 10 Any executive whose work is subject to regular inspection should, whenever practicable, be given the assistance and facilities necessary to enable him to maintain an independent check of the quality of his work.

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